Austria Sch 20 | Bahrain Din 0.650 | Belgium BFr 45 | Canada C$1.00 | Cyprus C£0.70 | Denmark DKr 8.00 | Egypt E£1.00 | Finland Fmk 6.50 | France FFr 6.00 | Germany DM 2.20 | Greece Dr 80 | Hong Kong HK$12 | India Rup 15 | Indonesia Rp 2500 | Italy L 1500 | Japan Y550 | Jordan Fils 500 | Kuwait Fils 500 | Lebanon L£ 8.00 | Luxembourg LFr 45 | Malaysia Ringgit 4.25 | Mexico Peso 300 | Morocco Dh 6.00 | Netherlands Fl 2.75 | Norway NKr 7.00 | Philippines Pes 20 | Portugal Esc 90 | S. Arabia Rls 6.00 | Singapore S$4.10 | Spain Pta 125 | Sri Lanka Rup 30 | Sweden SKr 7.00 | Switzerland SFr 2.20 | Taiwan NT$65 | Tunisia Din 0.600 | Turkey L 250 | U.A.E. Dh 6.50 | U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,863 Monday February 24 1986

Soviet device at heart of Star Wars gun, Page 6

World news

Iran and Iraq claim dominance in fighting

Iraqi armed forces said they had regained ground on the Iranian-occupied Faw peninsula in a drive to cut off much of the invading force in Iran's latest war offensive.

But Iran claimed that its troops had thrown off Iraq's counter-attacks and said it was moving on the Iraqi naval base at Umm Qasr.

The importance of Iraq blunting the Iranian offensive was pointed up by a visit to the war front by Iraqi President Saddam Hussein. Page 4

Hussein's anger at US

Jordan's King Hussein said the US had terminated a 30-year military relationship with President Reagan's decision not to proceed with a $1.9bn arms sale that included aircraft and surface-to-air missiles. Page 4

Nato role attacked

Groups opposed to Spain's membership in Nato staged a protest demonstration that drew thousands of people to central Madrid. Polls indicated that the opposition could win next month's referendum on the issue. Page 3

Israel calls off hunt

Israel ended its unsuccessful search for two soldiers taken captive a week ago and pulled back troops and armoured columns that had ranged beyond their "security zone" along Lebanon's southern border.

Independence call

A parliamentary leader in Bermuda introduced a private bill calling for a referendum on independence for the UK colony. It coincided with a budget containing tax increases on property, cars, fuel and tourism.

Exit visa appeal

A group of 10 Soviet citizens who are married to Americans sent an appeal to the Communist Party Congress which opens tomorrow, urging that they be allowed to join their spouses in the US.

South Africa blast

A bomb damaged a post office and three shops in the white Pretoria suburb of Meyerspark and a mob of 500 blacks went on a rampage in the eastern Transvaal province which had been virtually untouched by recent violence in South Africa. Page 4

Garcia rally rocked

A bomb exploded outside a bank in Trujillo, Peru, about 150 yards from where President Alan Garcia was addressing a rally of his political party. No injuries were reported.

Probe in Sri Lanka

The Sri Lankan Government said it would hold an inquiry into an alleged massacre at Lahugala, where troops reported killing 40 Tamil guerrillas. Other reports said 80 civilians were killed.

Voodoo warning

Leading voodoo priest Max Beauvoir said the new regime in Haiti was encouraging a bloody religious war by siding with Roman Catholics and condoning attacks on Voodoo adherents.

Jockeys grounded

Stewards of the Royal Hong Kong Jockey Club extended the suspension of 11 jockeys and a trainer as racegoers flocked to the Derby Day meeting despite a race-fixing probe. Page 3

Slide buries house

A mudslide triggered by days of heavy rain in Italy flattened a house in Palma Campania, near Naples, leaving three known dead and five other people missing.

Schoolgirls drown

A school picnic in western India ended in tragedy when 12 girls and three teachers drowned in the Meshva river near Shamlaji after their boat capsized. Only three girls managed to swim ashore.

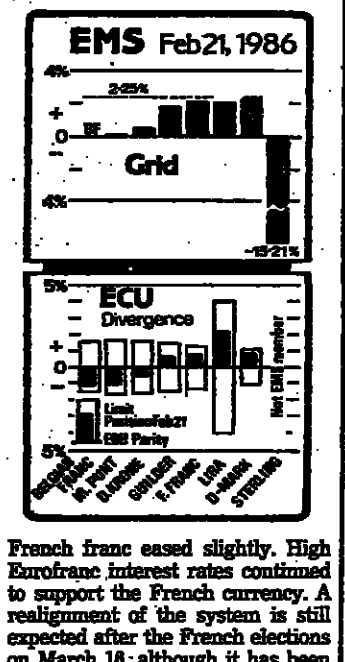
Business summary

UK plan to tax financial services

THE BRITISH Government is considering imposing a tax on all financial services handled by the country's banking system, ranging from simple cheque payments to international transactions, as part of its March budget.

Among difficulties the plan faces is an EEC law preventing the imposition of any form of value-added tax on financial services. Page 8

EUROPEAN Monetary System: There was very little change last week. The Belgian franc and Irish punt were weak, but not under pressure, while the D-Mark remained the strongest currency. The Dutch guilder improved, but the French franc eased slightly. High Eurofranc interest rates continued to support the French currency. A realignment of the system is still expected after the French elections on March 16, although it has been suggested falling oil prices will help some of the weaker economies, and delay any move.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

NIGERIA is expected to begin soon talks with creditors on rescheduling around $7bn in medium and long-term debt. Page 14

MEXICO is to introduce daily oil price fixing linked to spot market movements, in an attempt to maintain its share of oil exports. Page 3

MIDLANTIC Bank agreed to acquire fellow US bank Continental Bancorp of Philadelphia in a stock swap valued at $680m. Page 15

VOLVO, Swedish diversified motor group, cancelled a scheduled statement on its $300m link-up with Fermenta, troubled biotechnology group. Page 17

CONRAD BLACK, Canadian financier who has taken control of London's Daily Telegraph newspaper, is selling his 41 per cent interest in Norcen Resources, the Calgary energy group. Page 17

COMSAT, US international satellite group, made a $41.5m net loss last year after taking pre-tax charges of $120m, mainly used for two powerful satellites for the unsuccessful Direct Broadcasts Satellite (DBS) plan.

EASTERN Air Lines received a buy-out offer, Frank Borman, chairman, told a special employees' meeting. The airline is beset by financial problems and strike threats.

CONSTANTIA, one of Austria's biggest private industrial groups, will have its shares offered on the Vienna bourse today. Page 17

OTIS ELEVATORS has bought 70 per cent of the lift operations of Valmet, Finland's state-owned engineering group. Page 17

ARTHUR SCHMIEGELOW of Privatbanken was tipped to become chairman of the Association of International Bond Dealers. Page 15

Philippines regime digs in as revolt gathers strength

BY CHRIS SHERWELL AND SAMUEL SENOREN IN MANILA

A FURIOUS President Ferdinand Marcos clung to power yesterday as growing popular resentment on Manila's streets frustrated his attempts to put down a military revolt.

The revolt was led by Mr Juan Ponce Enrile, until now Minister of National Defence, and Lt Gen Fidel Ramos, deputy chief of the armed forces. Both said Mrs Corazon Aquino was the rightful winner of the disputed February 7 presidential election.

The weekend's events, bringing an awesome and unprecedented display of "people's power," threatened to make the country virtually ungovernable under Mr Marcos. But the Philippines leader refused again to stand down last night and instead threatened to launch an artillery onslaught to deal with the "rebellion."

Speaking on nationwide television for the second time yesterday the 68-year-old Philippines leader accused Mr Enrile and Gen Ramos of trying to grab power for themselves. If they did not negotiate, he warned them, "then let the blood of those who will die in a confrontation be on your conscience."

Earlier Mr Marcos said he had uncovered a plot to stage a coup d'état and assassination attempt against him, in which Mr Enrile and Gen Ramos were not involved. Mr Marcos produced three officers who read confessions on television, but by last night he was lashing out at Mr Enrile and Gen Ramos as "plain rebels" who would be "dealt with as such."

There was a "new power group" trying to "grab power by coercion and intimidation," he alleged. Mrs Aquino, business interests and the military were represented, all under Mr Enrile. But, he claimed, he had the power to eliminate the rebellion any time.

"We'll wipe them out," with tanks and artillery, he said. "If they think I am sick, I may even want to lead the troops to wipe out thje Enrile Ramos group. I am just like an old war horse."

Mr Enrile and Gen Ramos, apparently sure of their position, said several commanders at different levels had pledged support. Last night they added that two officers in Mr Marcos's powerful Presidential Security Command had defected because they had been asked to arrest their own colleagues.

The two said they did not think ordinary soldiers would obey Mr Marcos's orders to attack them if this meant hurting civilians. But many key figures – especially cabinet members and officials – kept a public silence.

To concentrate their forces both Mr Enrile and Gen Ramos were ensconced inside Camp Crame, the headquarters of the Philippine Constabulary, Gen Ramos's service. They have about 5,000 men, mostly armed with light weapons. Some were seen yesterday making molotov cocktails in preparation for an armoured attack.

Late last night Gen Ramos appealed to officers and men grouping near Camp Crame to put down their arms and join him.

Cardinal Sin, Archbishop of Manila, made a special plea to the armed forces not to use violence and, in a general appeal, asked people not to lose courage. "The dawn of a new day is before us,"

In the afternoon a heavily armoured column of marines heading for the two camps had to turn back after finding its way blocked by a mass of human bodies, buses, rocks and sandbags.

Background to crisis, Page 2;
Editorial comment, Page 12

Reagan urged to tell Marcos to step down

BY STEWART FLEMING IN WASHINGTON

SENATOR RICHARD LUGAR, influential chairman of the US Senate foreign relations committee, called yesterday for President Ronald Reagan to tell President Ferdinand Marcos of the Philippines to step down, and hinted strongly that he believed Mr Reagan was on the verge of precisely such action.

The senator's comments on American television followed the publication on Saturday of an extraordinary statement from the White House which went much further than the Administration had done before in effectively disowning the Marcos regime. It was promptly interpreted as a message of thinly veiled support for the two military leaders, Defence Minister Juan Ponce Enrile and Lt Gen Fidel V. Ramos, who have rebelled against President Marcos.

The White House statement said that the fraud in the recent elections was carried out largely by the Marcos Government and was "so extreme as to undermine the credibility and legitimacy of the election and impair the capacity of the Government of the Philippines to cope with a growing insurgency and a troubled economy."

The next US move may not come, however, until the return of Mr Philip Habib, the White House emissary who spent last week conducting talks in Manila. He was due in Washington yesterday.

President Reagan, Mr George Shultz, Secretary of State, Mr Caspar Weinberger, Defence Secretary, and returning emissary Mr Philip Habib were reportedly to meet yesterday afternoon at the White House to discuss the Philippines situation.

Interviewed on US television yesterday, President Marcos threatened to use military force to overcome the military revolt. He carefully ducked the question of whether he would agree to resign if President Reagan asked him to, describing the US President as his friend and suggesting Mr Reagan would not pressure him to resign. He charged that the militay leaders were not working for Mrs Aquino but for themselves.

Mr Enrile, who was also interviewed, suggested that, if President Marcos resigned peacefully, he might be allowed to leave the country, adding that there was "no intention to harm him or his family."

US concerns about the manner of President Marcos' departure are intense. A bloody battle would discredit the policies that the Reagan Administration has been pursuing and highlight again President Reagan's ambiguous comments after the Philippine election which suggested that there had been electoral fraud on both sides.

Asked yesterday if he believed the Philippines was at an historic turning point, Senator Lugar said: "President Marcos must come to the same conclusion as our President arrived at yesterday ... that it is difficult to see how this regime can continue and he ought to step down." Asked if the US could have issued so tough a statement if it did not believe President Marcos was about to go, Senator Lugar responded "Your logic is impeccable."

There are fears that the army, which the US sees as crucial to the success of the fight against the Communist insurgency, could be split. Senator Lugar himself pointed out yesterday that commanders in the field faced some difficult choices, particularly because Mr Enrile "was out there on the hustings trying to get votes for Marcos just two weeks ago."

Morgan Grenfell plans merger

BY CHARLES BATCHELOR IN LONDON

MORGAN GRENFELL, one of the leading British merchant banks engaged in advising companies in the current wave of billion pound UK takeover bids yesterday announced plans for a merger of its own, with Exco International, one of the big four UK money broking groups.

The merger, if it goes ahead, would create a financial services group capitalised at more than £1bn ($1.45bn), larger than any of the other major British merchant banks and bigger than all but the top two or three US investment banks.

This deal would remove uncertainty about the future of Exco, which recently lost Mr John Gunn, one of its founders and its chief executive, and then saw a large chunk of its shares bought by a Malaysian businessman, Tan Sri Khoo Teck Puat. It would also remove the threat of a hostile takeover bid being launched. Exco still has about £400m of cash on its books from the sale last year of its stake in Telerate, the US business information group.

The two sides emphasised that they had only reached the stage of "exploratory discussions" and pointed out that the deal would require the Bank of England to modify its rules barring large shareholding links between merchant banks and money brokers.

A successful outcome would also depend in part on the agreement of Exco's largest shareholder, Tan Sri Khoo, who has built up a 27 per stake in Exco over the past four months.

The merger is expected to take the form of an agreed takeover bid from Exco, which has a Stock Exchange listing, for the unquoted Morgan Grenfell. Detailed terms have yet to be agreed but the two parties are expected to emerge with roughly equal stakes in the combined group.

The range of Morgan's business and the relative strength of its management is expected to lead, however, to the merchant bank dominating the combined company.

Mr Christopher Reeves, Morgan's chief executive, said: "I am sure there will be a small number of major British players in the international markets. We intend to be one of them.

"If this deal happens it will create a very important British financial group, strong in the securities markets, corporate finance, the full range of international banking business and money broking."

Mr Roger Seelig, a Morgan director, said: "The advantages are twofold. This is an opportunity of expanding our capital base and obtaining a listing. This merger will approximately double our size, which is necessary if we are to go on doing bigger and better things."

Morgan has spent about £470m over the past few weeks, buying large minority stakes in Imperial Group and Distillers, which are being bid for by its clients, United Biscuits and Guinness. Mr Seelig said Morgan had no difficulty financing these two deals, but the size of the transactions seemed set to increase even more in future.

Lex, Page 14; Analysis, Page 9

Reagan counters Gorbachev missile proposals

By Stewart Fleming in Washington and Robert Mauthner in London

PRESIDENT Ronald Reagan has sent a letter to Mr Mikhail Gorbachev, the Soviet leader, proposing the elimination of medium-range missiles in both Europe and Asia over a three-year period, according to authoritative reports in Washington.

Though details of the letter, which is in the form of a reply to Mr Gorbachev's recent proposal that all nuclear weapons should be eliminated by the end of the century, have not been officially announced, its broad outlines have been published in The New York Times.

In Bonn, West German officials confirmed that a letter setting out President Reagan's views on Mr Gorbachev's proposals had been received by the office of Herr Helmut Kohl, the West German Chancellor, last Saturday.

The Bonn Government was "satisfied" with President Reagan's call for an elimination of medium-range missiles (intermediate nuclear forces) in Europe as an initial step towards curbing the arms race, the officials said.

Unlike the original Gorbachev proposal, which provided only for the elimination of US cruise and Pershing II and Soviet SS 20 missiles in Europe, the new US plan calls for the abolition of Soviet SS 20s in Asia as well.

The Soviet proposal which would have left Moscow's medium-range missiles in Asia in place, ran into strong objections from China and Japan, who felt themselves threatened by the Soviet Asian nuclear force. Even the original American proposal, put to the North Atlantic Council earlier this month, which provided for a 50 per cent cut in the Soviet Union's Asian-based SS 20s, was felt to be inadequate by Peking and Tokyo.

President Reagan is also reported to have rejected Mr Gorbachev's proposal that Britain's and France's nuclear forces should be frozen and that the US should undertake not to transfer any new nuclear weapons, such as the Trident missile, to other countries.

Though the UK Foreign Office has declined to comment on the Reagan letter on the grounds that it had not been officially made public, London and Paris are certainly pleased that their views have been respected by Washington. Neither Britain nor France accepts any reduction of their strategic nuclear forces as part of a deal on medium-range nuclear weapons or before the two super powers have reached

Continued on Page 14

Oil price slide could trigger upturn for UK

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

LOWER OIL prices and a weaker pound have boosted the prospects of a sustained recovery in Britain's output, according to separate reports today from the London Business School (LBS) and the employers' federation, the Confederation of British Industry (CBI).

In its Economic Outlook the LBS forecasts that as a result of the collapse in the oil price and the parallel drop in sterling's value, the pace of economic growth next year could be faster than retail price inflation for the first time since 1964.

It also expects lower energy costs to give a major fillip to the profits of manufacturing companies. Profits outside the North Sea sector could rise by 25 per cent this year following the more than 32 per cent increase in 1985, the LBS says.

The CBI's latest monthly industrial trends survey shows a strong recovery in confidence among manufacturing companies from the relatively depressed levels seen last month.

Although the fall in the oil price will bring a cut in Britain's national income, lower costs for industry and improved competitiveness are expected to give renewed momentum to the growth of manufacturing output.

Sir Terence Beckett, director general of the CBI, said the organisation's survey indicated a revival of output expectations over the last month.

"Business is clearly picking up. Order books are much better and output should increase significantly over the next four months. It is vital that industry takes advantage of this tremendous opportunity in export markets," he said.

There is less confidence, however, over the outlook for unemployment. An analysis in the LBS report suggests that the long-term unemployed, who now account for about 40 per cent of Britain's total unemployed, appear to have been effectively pushed out of the labour market.

It argues for direct government action to help people who have been out of work for over a year and suggests that a reduction in long-term unemployment would carry little risk of higher inflation.

The LBS says that the upward pressure of inflation implied by the fall in the exchange rate has been more than offset by the reduction in costs resulting from lower oil prices. It forecasts that retail price inflation will fall to 3½ per cent or less in the middle of this year and will remain subdued in 1987.

Bleak jobs outlook, Page 8

Rescue package 'last chance' in tin crisis

BY ANDREW GOWERS IN LONDON

THE INTERNATIONAL Tin Council (ITC) and its creditors have provisionally agreed on a package of proposals for rescuing the tin market in London.

The plan involves setting up a new company to take over and sell off the ITC's mountain of tin stocks over about three years. It will be put this week to the council's 22 member governments, as well as the banks and metal trading companies which are owed hundreds of millions of pounds by the price-support body.

Bankers and ITC delegates, who negotiated for several weeks to formulate the package in the small hours of Saturday morning, say it is definitely the last chance to resolve the four-month-old tin crisis, which erupted last October when the ITC ran out of money to support the market.

The negotiators want a preliminary response by this Friday. If it is favourable they hope to complete remaining details of the new company – known as Newco – by March 5. Trading in tin could subsequently resume on the London Metal Exchange (LME), where it has been suspended since the crisis began.

A leading banker said yesterday: "This is as good a deal as each of the three parties is going to get. It has a reasonable chance, and that's about as optimistic as I've ever been. The alternative for the governments is that we're going to sue them."

An ITC delegate said: "This does not mean that a solution is assured. It's still in the balance; but if it's not accepted, there's nothing else."

The key question remains that of finance. All sides agree that Newco will need minimum equity funding of £270m ($391m) plus £50m in loan guarantees if it is to stand a chance of winding down the tin stockpile in an orderly fashion.

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CONTENTS

THE PHILIPPINES CRISIS

Filipinos rush to help army rebels

Chris Sherwell and Samuel Senoren describe the events in Manila following the defection of top-level officials from the Marcos camp

IT WAS the most astonishing reversal of roles. Soldiers at the Philippines Ministry of National Defence, and policemen in their national headquarters were suddenly being protected by the people, instead of the other way round.

Hundreds of thousands of ordinary citizens responded over the weekend to calls to gather outside Camp Aguinaldo and Camp Crame in support of Mr Juan Ponce Enrile, Minister of National Defence, and Lt-Gen Fidel Ramos, head of the Philippine Constabulary.

They had barricaded themselves in on Saurday afternoon after receiving reports that they were about to be arrested. At a news conference, they announced that Mr Ferdinand Marcos had cheated his way to victory in the disputed Presidential election and said he should stand down.

The news spread like wildfire, and people responded instantly to a call from Cardinal Jaime Sin, Archbishop of Manila, to protect the soldiers and policemen from retaliation. This, after all, seemed to change everything — a powerful cabinet minister linking up with the deputy chief of the armed forces to challenge Mr Marcos.

Traffic on Manila's largest highway, a formidable 10-lane concrete track which runs right through the two high-walled military camps, came to a halt as Filipinos young and old, rich and poor, turned out to pray, sing Onward Christian Soldiers and place flags and icons of Christ on the iron gates of the two camps.

By yesterday, the numbers had swelled to hundreds of thousands blocking two miles of road. Buses were parked across intersections, stones strewn across the road and sandbag walls built ever higher. A group of tanks, armoured personnel carriers and land-rovers belonging to the Marines were besieged by a mass of human bodies and forced into a vacant lot.

Mr Marcos's claim that the camps were surrounded rang hollow, although his warnings that loyal forces were within "one artillery shot" were taken seriously, for all the risk that a murderous outburst of fire would represent.

Yesterday afternoon Mr Enrile and his men abandoned Camp Aguinaldo and moved across the road to Camp Crame in order to concentrate their forces. They joined an estimated 5,000 defenders, some of them pointedly wearing their national flag shoulder patches upside down.

The mood was sombre and apprehensive. There was relief that the Marines armoured column had been halted less than a mile to the south. But a crack artillery battalion from President Marcos's own security command had pitched camp in a crowded commercial area to the north.

Though this too was surrounded by civilians, one battle-hardened defender admitted quietly that what he feared most was the possible unleashing of 105mm howitzers—that, he said, was something they simply couldn't match.

The men have a sprinkling of light weapons, mostly M-16s, mortars and anti-tank rockets. They also have about five helicopters, one of which is used for reconnaissance and ferrying supplies and amunition. Enthusiastic civilians have kept food flowing in large quantities.

The total number of defenders include about 200 who came by bus from Mr Enrile's province of Cagayan in northern Luzon. Just before noon yesterday a colonel who resigned his commission in the Marcos Government formed another three companies of 300 civilian volunteers, armed mostly with pistols and revolvers.

As the war of nerves sharpened, it seemed indisputable that the 210,000-strong Philippines armed forces were irretrievably split. Mr Marcos insisted otherwise, but Mr Enrile was categoric; the President might have most of the service commanders he appointed on his side, but "the decent elements in the ranks will know how to deal with the situation."

Mr Enrile and Gen Ramos were particularly bitter in their comments over the favouritism, graft and corruption which had poisoned the armed forces. They also expressed disgust at the failure of Mr Marcos to heed the calls of the reform movement within the military to restore professionalism in order to combat the growing Communist guerrilla insurgency.

Mr Enrile's repeated attempts to resign have been thwarted. Now he says he can no longer serve Mr Marcos (above) and is committed to Mrs Aquino (below) who challenged the President so successfully in this month's poll

Defence chief stakes all to expose Marcos 'fraud'

BY CHRIS SHERWELL, SOUTH EAST ASIA CORRESPONDENT

WHEN "Johnny" Ponce Enrile was in his early 20s, he travelled hundreds of miles to Manila, a place he had never visited, to search for his father, a man he had never seen. Born illegitimately all he wanted was to be able to complete his schooling.

He was duly recognised by his prominent lawyer-politician father and spent the next 20 years attending the best college in Manila, studying first at the University of the Philippines and then at Harvard in the US and earning a living as as successful lawyer. He finally joined Mr Ferdinand Marcos at the vortex of power in the mid-1960s.

Now, another 20 years on a period of tested but unbroken loyalties—Juan Ponce Enrile has dramatically and irreperably cut his ties with his boss. Mr Marcos, he says, did not win the February 7 Presidential election, he cheated his way back to power.

Because Mr Enrile, who is now 62, has been Minister of National Defence for some 16 years, his decision to break with the Government and confront it directly by barricading himself into armed forces headquarters was the most sensational political development since the controversial poll.

It was made all the more significant by the fact that he was joined by Lt Gen Fidel Ramos, head of the Philippine Constabulary and deputy Chief of the Armed Forces.

Gen Ramos, 57, is a West Point graduate noted for his professionalism. He was Acting Chief of Staff while General Fabian Ver took leave of absence last year after being implicated in the 1983 assassination of Benigno Aquino, Mr Marcos's most incisive opponent.

Although Gen Ver was cleared late last last year, many hoped he would retire and leave the more popular Gen Ramos to implement desperately-needed military reforms. It was not to be: even when Mr Marcos announced Gen Ver's departure last Sunday the order was not implemented.

Now the two men are taking a common stand, and few who know them doubt that they will emerge either dead or victorious.

If Gen Ramos's action is the result of years of professional frustration, that of Mr Enrile follows a lengthy period of decline in influence over Mr Marcos, principally in favour of Gen Ver, who is a relative of the President.

The peak of his power came when Mr Marcos declared martial law in 1972 and made Mr Enrile Martial Law Administrator. He had moved fast since the start of Marcos rule in 1965, starting as a Commissioner of Customs, becoming a Secretary of Justice and then Secretary of Defence.

As Martial Law Administrator he governed the whole country, and used his power with considerable strength.

By 1978, however, Mr Enrile was becoming increasingly unhappy and thinking of returning to private life.

Though he remained extremely powerful in his political stronghold of Cagayan province in northern Luzon—he delivered it once again to Mr Marcos in this month's poll — Mr Enrile is said to have wanted to resign several times, only to be turned down.

Now he is saying: he is "a Filipino above everything else," that he can no longer serve Mr Marcos and that he is committed to Mrs Corazon Aquino, Benigno's widow, who challenged Mr Marcos so successfully in the Presidential poll.

It is an extraordinary turnround, and one with incalculable consequences. But Mr Enrile has said he is ready to die to make his point.

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OVERSEAS NEWS

Iran to press Opec to suspend oil exports

BY TONY WALKER IN TEHRAN

IRAN IS to press for a suspension of oil exports for two weeks to a month by members of the Organisation of Petroleum Exporting Countries (Opec) to force prices up, Mr Gholamreza Aqazadeh, the Minister of Oil, said here yesterday.

Iran is also calling for a cut of 10m barrels a day in collective output, he told a news conference. Present Opec output is about 17m b/d.

The proposals emerged from tripartite discussions held last week in Algiers involving Iran, Libya and Algeria, according to Mr Aqazadeh. They are to be put to the full ministerial meeting scheduled to be held in Geneva in March.

Mr Aqazadeh made it clear that Iran was behind the radical proposal and he warned that if "no serious measure was taken an uncontrollable crisis will be created and oil-producing countries will suffer the most."

Iran's proposal that Opec members, who account for about one-third of world production, turn off the tap for between a fortnight and one month reflects deep concern here about the impact of falling prices on the Iranian economy, which is almost totally dependent on oil revenue for its foreign exchange. The collapse in oil prices clearly poses a serious threat to Iran's war effort.

Iran earned an estimated $15bn (£10.7bn) from oil sales last year. That figure could be halved this year if the oil price slide continues.

Iran's oil exports for February are averaging about 1.2m b/d according to Japanese diplomats. This compares with about 1.5m b/d in January.

Estimates here among foreign military attaches of the hard currency cost of prosecuting the war range from $2bn to $5bn. Imports of foodstuffs constitute a drain on the budget of about $2.5bn annually.

Mr Aqazadeh said Iran had urged oil-producing countries to reduce their output significantly so that prices will pick up. He said the tripartite meeting in Algiers had agreed that specific representations be made to Saudi Arabia to persuade the Saudis to "co-ordinate with other Opec members and reduce output."

In their bid to persuade Opec members to agree to a co-ordinated strategy to boost prices, Iran, Libya and Algeria are proposing a preliminary meeting be held in Geneva before the comprehensive consultations.

Our Middle East Staff writes: Saudi Arabia defended its decision to raise its output by cutting oil prices but said that it would work to ensure that oil prices returned to acceptable levels.

The statement issued by the Ministry of Oil appeared to have been a response to the bitter criticism expressed by Algeria, Iran and Libya which have charged the Kingdom with the main responsibility for the collapse of prices. It may also be an indication that Riyadh believes the fall to have gone far enough in shocking non-Opec producers.

"The Kingdom is making efforts to correct the situation to ensure the return of prices to just and acceptable levels," the statement said.

"The Kingdom will not abandon the policy it has taken since the 1970s which rejects wide fluctuations in oil prices either up or down," it continued.

Saudi Arabia had been the last to abandon official prices but had been forced by financial pressures to follow the price-cutting tactics of fellow Opec members.

"What has happened was out of the hands of any government that faced a depletion in its financial resources, causing unbearable and unacceptable deficits in its budget," the statement said.

Meanwhile, Colonel Muammer Gaddafi, the Libyan leader, confirmed in an interview with a Greek newspaper that his country intended to cut its production of crude oil to prop up falling prices.

He also told Eleftherotypia that he believed the flare-up in fighting between Iraq and Iran would produce a fall in oil production and a corresponding increase in prices.

REVENUE FROM CRUDE WILL BE HALVED SAYS PRESIDENT

Mexico to fix daily price to oil spot market

BY DAVID GARDNER IN MEXICO CITY

MEXICO, the world's fourth largest oil producer, is making a desperate bid to preserve its market share. From next month it will introduce daily price fixing linked to spot market movements for its oil exports.

The announcement followed President Miguel de la Madrid's statement to the nation and Mexico's creditors on Friday night that the country is unable to meet its full debt service obligations because of the oil market's collapse.

Mr de la Madrid announced that revenue from oil—which until now has provided three-quarters of Mexico's foreign exchange and half the tax take—would be halved this year on current projections. He said revenue from crude would be down $6bn (£4.2bn) from original projections of $12.1bn.

Target

This is equivalent to one-third of Mexico's total exports, he said, and almost all its non-oil exports.

However, the oil price has continued to fall since these figures were worked out. In January, sales fell to 1.18m barrels a day, the oil authorities now confirm, against the original target of 1.5m b/d. Exports are believed to have fallen substantially further this month, despite cuts in price of $8.68 a barrel since January 31. February's average price has been $15.07.

Mexico sells only to term customers and has traditionally eschewed the spot market and the netback agreements now being reached by many of its competitors. Since December it has set prices at the end of each month retroactive to the beginning of the month.

More flexible

This is more flexible than the system of totally pre-set monthly prices. Nevertheless, this has not stopped many of its clients delaying lifting, particularly in Europe, since they have little incentive to buy at unknown prices when there is such a glut of ever-cheapening oil.


President de la Madrid

Losses on currency dealings embarrass Lufthansa

BY RUPERT CORNWELL IN BONN

LOSSES ON currency dealings, which could total over DM 200m (£59.8m), are causing embarrassment at Lufthansa, the West German state airline, and are fuelling ill-disguised political sniping against its chairman Mr Heinz Ruhnau.

Mr Ruhnau was summoned last week to meet Mr Werner Dollinger, the Transport Minister, to explain the losses. Unconfirmed reports were circulating here this weekend that a decision by the airline's supervisory board on whether to extend his term of office when its expires in 1987 would be postponed until at least June.

The currency problems stem from dollars purchased in 1985 to cover roughly half of the purchase price of more than $500m (£357m) which Lufthansa is paying for Jumbo jets and 10 Boeing 737s due to be delivered this year.

The dollars it is understood, were bought at the price of DM 3.20 in the fear that the dollar might rise even further against other currencies. In the event it has fallen steeply, to around DM 2.30, meaning that the airline has paid over DM 200m more than it needed.

Lufthansa, in which Bonn has a 74 per cent stake, has refused to put a figure on the potential loss. However, reports of the company's misfortune have obliged it to issue a reassuring statement that after earning DM 162m in 1984, it made good profits in 1985, and was expecting a "positive" result for this year as well.

Mr Ruhnau, a Social Democrat and former State Secretary at the Transport Ministry, was appointed chairman in 1982 by the then SPD-led Government. But last week Mr Dionys Jobst, deputy chairman of Mr Dollinger's Christian Social Union (CSU) party, a partner in the present centre-right coalition, demanded that Mr Ruhnau be dismissed for reckless speculation.

● West German passenger car output fell to a seasonally adjusted 385,800 in January from 403,912 a year earlier, the industry association, VDA, said.

Efforts in the 1985 month to make up for production lost in the 1984 engineering workers' strike must be taken into account when assessing the 4 per cent fall, it added in its monthly report.

Spanish anti-Nato campaign gains ground

By David White in Madrid

Spanish anti-Nato groups, encouraged by forecasts that they could beat the Socialist Government in next month's referendum on membership, rallied several hundred thousand supporters in a noisy two-hour demonstration in central Madrid yesterday.

The "march on Madrid" was organised by two leading bodies heading the campaign against staying in the alliance — a joint front of Pacifist groups and the Civic Platform for Withdrawal from Nato, in which the Spanish Communist Party plays a prominent role.

Demonstrators arrived in special buses from other parts of Spain to join the march, staged just before the official fortnight's campaigning period starts on Tuesday.

The latest opinion poll commissioned by the leading Madrid daily El Pais and published yesterday showed 34.2 per cent intending to vote No to remaining in Nato, against 25.2 intending to vote Yes. Of the remainder, 19.1 per cent said they would abstain, as the conservative Popular Alliance Opposition has called on its supporters to do.

The poll indicated a narrowing gap between the pro-Nato and anti-Nato camps, compared with earlier surveys by the same newspaper which have consistently given the lead to the No vote.

Polls by the government Centre for Sociological Research, which were showing the opposite result, now show the No vote leading by 31 per cent to 27 per cent, according to the most recent published figures. The Communist Party claims that a subsequent, unpublished poll shows a balance even less favourable to the Government.

Anti-Nato "leave us in peace" posters put up by the Communists vie for space with government advertisements which recommend continued membership with the slogan "in Spain's interests." Unfortunately for the government campaign, opponents have taken advantage of the blank space at the bottom of these posters to add, in spray paint, the words "vote no."

Hong Kong racing stewards extend jockey suspensions

BY DAVID DODWELL IN HONG KONG

STEWARDS of the exclusive Royal Hong Kong Jockey Club met in emergency session yesterday to extend the suspensions of 11 jockeys and a trainer as investigations by the Independent Commission Against Corruption (ICAC) continued into a race-fixing racket that is destined to be the biggest horse-racing scandal in the territory since the sport became professional in 1971.

The stewards met as 50,000 Hong Kong punters poured into the ultra-modern Shatin race course in Hong Kong's new territories for Derby Day, the biggest event in the season's racing calendar. More than HK$366m (£33.5m) was bet during the eight-race meeting.

The Royal Hong Kong Jockey Club is one of the most powerful civic institutions in Hong Kong, with a monopoly on legal gambling in the territory. The tax on betting revenues, which amounted to HK$19.78bn last season—is a major source of government funds.

Mr Michael Sandberg, chairman of the stewards and in working life chairman and chief executive of the Hongkong and Shanghai Banking Corporation, said after the stewards' meeting that on the advice of the ICAC, suspensions on 11 jockeys—including champion jockey Mr Gary Moore—would continue for between two weeks and three months.

The stewards lifted the suspension of trainer Mr Derek Kent but extended the suspension of leading trainer Mr T. C. Cheng to June 30.

The suspensions, made "to maintain the confidence of the public in the conduct of racing" in Hong Kong, followed pre-dawn raids on Thursday in which the ICAC arrested 32 jockeys, trainers, race-horse owners and Jockey Club officials. These have now been released on bail ranging from HK$50,000 to HK$1m. A number have had their travel documents confiscated.

The ICAC, which was set up with far-reaching powers in 1973 after widespread corruption was discovered inside Hong Kong's police force, has revealed little about those being investigated. Documents taken during Thursday's raids are being studied.

Mr Sandberg said yesterday that the Jockey Club had been co-operating closely with the ICAC for six months as the Commission investigated links between a powerful betting syndicate, known only as the "Shanghai Syndicate," and jockeys, trainers and officials in the club.

Boost for Ariane after launch of two satellites

BY PAUL BETTS IN PARIS

THE successful launch of two satellites by Ariane at the weekend has given a boost to the future commercial prospects of the European space rocket.

The latest launch, from the Kourou space centre in French Guyana, was the 16th by the European space rocket and was regarded as crucial after the embarrassing failure of the rocket's 15th launch last September in front of President François Mitterrand. It was all the more significant following the tragedy of the US space shuttle Challenger last month, which has again cast doubts over space programmes.

President Mitterrand said after the successful launch: "Europe has achieved a further step forward in the conquest of space." Ariane officials also appeared relieved and jubilant that the latest launch was successful.

However, there was some concern over a solar panel on one of the satellites placed in orbit by the European rocket. But Ariane officials claimed that the panel on the French Spot earth observation satellite, was not expected to pose any problems. The other satellite placed in orbit by Ariane was a Scandinavian scientific satellite called Viking.

The Ariane order book now involves about FFr 8.5bn (£826m) and includes the launch of 29 satellites.

Pretoria hit by explosion

AN EXPLOSION damaged a post office in a Pretoria suburb early yesterday and a mob of 500 blacks left a trail of destruction in a Transvaal township, Reuter reports from Johannesburg.

The blast, which rocked the white Meyerspark suburb, damaged the post office and three nearby shops, police said. No one was hurt.

The bomb was in a telephone booth and might have been the work of the banned African National Congress (ANC), police added.

Violence spread to a new area overnight when 500 blacks rampaged through Nelspruit township, 120 miles east of Pretoria.

The eastern Transvaal has until now been barely touched by the unrest, fuelled by grievances over apartheid race laws, in which more than 1,100 people have died in the past two years.

Police moved in with shotguns, rubber bullets and teargas to dispel the crowd

Three members of the Commonwealth's "eminent persons" mission set up to promote dialogue between South African blacks and whites were questioned by police when they tried to enter Johannesburg's Alexandra township where 19 blacks died in riots last week, a witness said yesterday.

Police allowed them to leave after about five minutes.

Iraq claims Faw victory 'within days'

BY KATHY EVANS IN BASRA

IRAQI FORCES say they have reached the salt flats of Mamlaha, just outside the Iranian-occupied town of Faw and that "within days" the Iraqi flag will be hoisted in the town.

In the last few days Iraqi communiques have assumed a supremely confident air. Two of the three prongs of the counter offensive are claimed to be making advances. The central column is said to have reached the south-eastern edge of Mamlaha, while the southern column said it went forward 1.3 km yesterday.

Progress from Mamlaha could be even more difficult, however, as the terrain consists of soft salt flats, difficult for even infantry to move on. Mamlaha is famous in Iraq for its salt and henna, the natural dye used to decorate the hands and feet.

With so much national prestige depending on the liberation of Faw, it seems likely that the Iraqi forces will concentrate on that town first, leaving the areas occupied to the south at Ras Bisha to later. Recovery of Faw would leave several thousand Iranian troops hemmed in in the extreme tip of the peninsula.

Western observers are still sceptical that progress is being made on the scale that the Iraqis claim. Some believe that the Iraqi army may still have 15 km to go. Foreign correspondents have been allowed only limited access to the front, being restricted to rear positions with the heavy artillery batteries.

One of Iraq's leading generals, Major General Maher Abdul Rashid said over the weekend that the Iranians only occupied 18 sq km in a triangular area measuring 3 to 5 km from Faw. The Iranians, he said, were still managing to resupply their troops. "We hope they continue to send more troops in," Maj Gen Rashid said. "That way we will harvest more. It will give us an historic chance for the Iraqis to annihilate this epidemic," he told a press conference at his field headquarters on the central sector of the southern front.

The Iraqis are clearly throwing everything they have into this counter offensive.

Iran says it repulsed Iraqi counter-attacks

BY TONY WALKER IN TEHRAN

IRAN CLAIMS that it has repulsed Iraqi counter-attacks in the critical battle for the Faw peninsula and controls 850 square kilometres of it.

After a Cabinet meeting Mr Mir-Hossein Mousavi, the Prime Minister, told Radio Tehran: "We have not retreated a centimetre from the objectives we have reached and in some cases we have been forced to go forward to take new positions to supress the counter-attacks."

The radio said Iran still controlled territory 30 kilometres from the tip of the peninsula to the front lines — meaning that the fighting would be taking place some 20 kilometres from the town of Faw itself.

One thousand Iraqis were killed in the counter-attacks aimed at recovering Faw, according to a communique which said that Iranian forces were "continuing to strengthen their positions and fortifications in the liberated areas."

While the war communiques here sharply conflict with Iraq's, the fact that Iranian forces were able to take Faw and are still in possession of it two weeks after the start of the offensive is seen here as a huge political blow to the regime of President Saddam Hussein.

Iran appears intent on holding Faw as long as possible, but in line with a more prudent military strategy pursued since the middle of last year it may be unwilling to commit additional troops and equipment to the task if a continuing defence of the town seems hopeless.

Numbers of Iranian casualties since the fighting began are unavailable, but are almost certainly much less than during the almost suicidal offensives of an earlier period.

Around 15,000 volunteer fighters (as opposed to members of the regular arm) are said to have been engaged in the capture of Faw. A similar number are thought to have participated in the second prong of the Iranian offensive which was repulsed east of Basra, Iraq's main southern city.

Iran's immediate aims in the latest offensive were, according to observers here, to probe for Iraqi weak spots on the southern battlefront. When Iranian troops broke through at Faw, local commanders are thought to have made a quick decision to secure the town and keep going north towards Basra on a route that would put them within striking distance of Umm Qasr, the Iraqi naval base.

A bonus was the fact that Iranian troops, for the first time in the war, moved close to the border of Kuwait, one of Iraq's principal backers.

Louis Fares reports from Damascus: Iran would continue the war until Mr Saddam Hussein's regime was overthrown, Mr Mohammed al Bicharati, Iran's Deputy Foreign Minister, said here yesterday.

"This is a final and irrevocable decision," he told a press conference after delivering a message from President Ali Khamenei to President Hafez al Assad of Syria.

The Iranian envoy emphasised, however, that Tehran "extends a hand of friendship to all its Arab neighbours."

He was speaking following the departure from Damascus of Prince Saud al Feisal, the Saudi Arabian Foreign Minister, who had delivered a message to the Syrian head of state about the Gulf conflict from King Fahd.

Mr Bicharati claimed that Iran had 150 divisions ready for combat "on all fronts." He expressed satisfaction with his talks in Damascus. "The Syrian position has not changed and we are proud and happy about its stance."

Saudi Arabia was trying to use its influence with Syria, which has supported Iran in the conflict, to end the war. "Our answer is 'no'. We won't stop until Saddam Hussein is foiled and punished for starting the aggression."

Hussein accuses US of ending 30-year Jordan military link

BY ROGER MATTHEWS IN AMMAN

KING HUSSEIN of Jordan has accused the US of terminating a 30-year military relationship by going back on its pledge to complete a $1.9bn (£1.3bn) arms contract.

"In terms of our needs and requirements, the US has stopped being the major supplier of defensive weapons to Jordan," the king declared in a US television interview at the weekend.

President Reagan's decision earlier this month not to go ahead with the sale of surface-to-air missiles, aircraft and other equipment had undermined the credibility of the US Government "in terms of promises and commitments," the king said.

He believed there was a real possibility that Israel would at some point seek to de-stabilise Jordan and he was no longer confident that the US would seek to stop such a development.

"In the past, I used to take seriously assurances from our friends," said the king. But in the light of recent events and the growing influence of Jewish organisations on US policy, the king said he could no longer be sure.

In the past few months, Jordanian officials have become increasingly alarmed at what they see as the ability of Jewish organisations in the US to frustrate the Administration's policies.

They were particularly angered by the attempt in Congress to make arms sales to Jordan conditional on King Hussein opening bilateral peace talks with Israel.

King Hussein added that he would now be looking to European countries for his weapons supplies and also to the Soviet Union. But with the recession in the Middle East caused by the collapse in oil prices also having its impact on Jordan, it is certain that the Jordanian Government will require generous credit arrangements.

Having put so much effort into the peace process during the past three years, King Hussein feels badly let down by President Reagan on the arms issue and betrayed by the leadership of the Palestine Liberation Organisation.

Since the king's announcement on Wednesday that he was severing relations with the PLO leadership, senior Palestinians in Amman have been preparing themselves for further action by the government.

They expect that several of their offices will have to be closed and that a number of prominent PLO representatives will have to leave the country.

Some PLO officials are convinced that King Hussein is determined to persuade the Palestinian people to select a new leadership and claim that he has thrown down a direct challenge to Mr Yassir Arafat, the organisation's chairman.

Jordan's parliament, the Lower House of Deputies, gave unanimous backing at the weekend to King Hussein's suspension of the talks with the PLO.

Our Middle East Staff adds: King Hussein challenged Mr Yassir Arafat's leadership of the PLO in an interview with the New York Times published yesterday.

He said that he would respect a decision by Palestinians that the PLO was their "sole representative" but added that Jordan would welcome another body to fulfil the same role.

In another interview with Cable News Network, King Hussein emphasised that he could not negotiate on behalf of the Palestinians.

Algerian Government and party chiefs in shake-up

BY FRANCIS GHILES

A shake-up of the Algerian government and the top echelons of the ruling Front de Libération Nationale (FLN) Party is under way following the endorsement by last December's Party Congress of an updated version of the National Charter.

The charter, presented by President Chadli Bendjedid, is far less doctrinaire in its references to socialism that the first charter which was written when the late Houari Boumedienne was head of state. It refers much more frequently to the role of Islam in Algeria's history and the fight against French rule.

Unlike the agrarian revolution promoted by the late President Boumedienne, the new document advocates giving both private and state farmers the incentive to produce and sell and encourages the private sector to participate more actively in building up the economy and creating jobs.

Former diplomats and senior civil servants who have been promoted to political office in recent years have gained more senior positions in the government:

Mr Abdel Aziz Khellef has switched from the trade to the finance portfolio and Mr Mustafa Ben Amar has become Minister of Trade.

The former Trade Minister, Mr Boualem Benhamouda, who was a hero of the war of liberation and minister for two decades, has bowed out after a long career.

Mr Salah Goujil has handed his transport portfolio to the highly-regarded Colonel Rashid Beycilles.

Other changes are expected in the next few days but they are unlikely to affect the ministries of Foreign Affairs, where Mr Ahmed Taleb Ibrahimi remains his country's paramount diplomat, the Interior or Agriculture. Nor is a change of Prime Minister expected.

As Minister of Planning from 1979 to 1984 and Prime Minister since, Mr Abdelhamid Brahimi has played a key role in steering Algeria away from the heavy foreign borrowing and vast industrialisation programmes of the 1960s and 1970s.

Tanker market shakes off some depression

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE TANKER market shook off some of its depression last week as demand in the Gulf for big tankers improved. But for dry cargoes such as grain, coal and iron ore, activity was still slack.

Freight rates mostly remained low, though shipowners were hoping that these would pick up in coming months, at least for oil carriers. The slight lift in Gulf tanker rates reflected increasing demand for tonnage by the big oil companies.

Galbraith's, the London shipbroking firm, said the past week had seen a larger than normal export of oil from the Gulf. "This fresh impetus has enabled owners to obtain slightly better remuneration and to gain something of an advantage," it said.

Rates were about a couple of points firmer for VLCCs and ULCCs (very large and ultra large crude carriers), with Worldscale 22.5 paid for cargoes of around 270,000 tonnes to the West and Worldscale 28 from Sirri Island (the Iranian terminal south of the war zone) to the Red Sea.

With the greater demand, which should continue more strongly once oil prices stabilise at lower levels, owners should be able to find more employment for large tankers. Many deals are now being done privately off the open market.

The Mediterranean market remained poor, however, with too many ships now available and rates weak. Activity improved in the West African market.

For dry cargoes, rate levels showed little change last week. The Pacific trades continued to be more in shipowners' favour than the Atlantic, where there is still a surplus of tonnage.

Grain rates from the Gulf of Mexico to continental Europe were around $8.25 a ton for a 55,000 ton vessel, 50 cents down on the previous week. Nakamura, the big Japanese bulk carrier company filed for bankruptcy on Thursday, highlighting the gloom in this sector of the market.

World Economic Indicators

RETAIL PRICES (1980 = 100)

					% change over previous year
	Jan '86	Dec '85	Nov '85	Jan '85	
UK	143.9	143.7	143.5	136.4	5.5
	Dec '85	Nov '85	Oct '85	Dec '85	
US	132.6	132.3	131.9	127.8	3.7
W. Germany	121.4	121.3	121.1	119.3	1.8
France	160.3	160.1	159.8	153.1	4.7
Italy	197.2	195.8	194.3	180.9	9.0
Netherlands	123.0	123.2	123.2	120.9	1.7
Belgium	141.8	141.8	141.4	136.4	4.0
Japan	115.1	115.1	116.3	113.2	1.7

Source: Eurostat

TECHNOLOGY

Fairer shares at Milan's new electronic bourse

Modernising Italy's main stock market will clean up dealing, Christina Paghera reports from Milan

THE ITALIAN stock market is turning to electronic technology in a bid to update itself and keep pace with developments on Wall Street and in the City.

A consortium of 100 Milan-based stockbrokers has spent more than L20bn ($12.5m) in the past year to develop a computerised order entry system designed to speed transactions between investors and brokers.

The system, Borsamat, is still experimental, with only 10 workstation terminals installed at the offices of banks, brokers and institutional investors. But if all goes well, the consortium, working through the Centro Elaborazione Dati (CED) or data centre, hopes to have a full system operating by April next year.

Mr Alfredo Recine, managing director of CED, says the system is needed because of the recent and dramatic rise in the volume of orders. Average daily volume has increased from 60,000 to 100,000 transactions during the bull market of the past 12 months. The traditional system of banks telephoning brokers at the Bourse who then shout orders, is badly in need of modernisation.

"Borsamat should make the flow of orders easier and should make dealings more transparent," says Mr Recine. It seems likely to bring a further shift from the tradition of closed-circuit dealings between a few big financial institutions in Milan.

Borsamat will be based on the Unix computer operating system developed by American Telephone and Telegraph and will use a variety of different workstations from suppliers such as Olivetti, IBM, Sperry and Honeywell. The central computer station will be a Digital Equipment Vax 750 minicomputer.

The network will operate across telephone lines and it is expected it will take three months to connect offices in Milan and five months for other parts of Italy. The system could eventually be linked to markets in other countries, though this is not foreseen in the near future.

Borsamat workstations will be installed at the offices of big investing institutions or in *an individual office or home.* The investor taps in an order which is immediately transmitted to the stockbroker's video screen inside the Bourse.

A broker handling, say, a sell order can then instruct Borsamat to display the shares he is offering and the price he wants on the terminals of all the other brokers connected to the system. Prospective buyers can then use the system to make bids electronically and negotiate a deal.

Once a transaction is completed, the brokers concerned notify their clients by sending them messages via the computer. The same information is also transmitted immediately to the system's central computer station. Investors and brokers use personal identification numbers to identify themselves and gain access to the system.

At the close of trading, the Borsamat system will automatically provide brokers and investors with a summary of the day's transactions.

Though Borsamat still leaves it to brokers to decide when to buy and sell and at what price, some say it faces resistance, particularly from the big banks. "It is harder with this system to bargain and to do the funny little things in deals which Milan brokers like to do," says one broker who asked to remain anonymous.

Many deals today are carried out far away from the Bourse or involve insider trading. If use of Borsamat became obligatory, it would impose tighter disciplines on the Bourse.

Borsamat was conceived by the CED consortium a year ago. Last April, CED completed tests of hardware and software and between May and October the system was installed experimentally. In August, Consob, the stock market regulatory authority, approved its full-scale development.

When it is fully operational, Borsamat software will be rented by CED to subscribers. The annual charge is expected to be between L10m and L12m a year.

On the floor of the Milan Bourse brokers shout orders beneath a display board to be linked to the Borsamat system

Soviet device at heart of Star Wars gun

David Fishlock finds a strange irony in one of the UK's first SDI research deals

THERE is a certain irony in the news that Britain's Culham Laboratory has won a contract to design vital components for one of the space weapons under development in the US Star Wars research programme—for a Russian invention is at the heart of the technology.

The laboratory, part of the UK Atomic Energy Authority, will work with the Los Alamos National Laboratory in New Mexico on a novel high-voltage accelerator for generating continuous neutral particle beams.

Such beams can strike at very long ranges, because they remain finely focused in the vacuum of space and unaffected by the earth's magnetism, delivering their energy deep inside the target.

Early in 1988 the partners plan to assemble at Culham, Oxford, a demonstration called Draconis, an acronym for direct acceleration of a negative ion source. It will combine British and US technology in a type of beam generator which could be used in industry and medicine as well as space weapons.

A very bright and continuous neutral particle beam could have a dual role in a future space defence, say senior SDI scientists. One role was recognised from the start of White Horse. A neutral particle beam could travel long distances in the vacuum of space, at close to the speed of light, without being distorted by the earth's magnetism, unlike charged-particle beams such as electron beams.

The second role emerged in the Fletcher report to the US Government in 1983, which led to the SDI programme. A neutral particle beam should discriminate clearly between nuclear weapons and the much flimsier radar decoys released by missiles to confuse defenders. This would allow a defence system to concentrate on destroying genuine targets.

Unlike laser beams, which heat the surface of the target, there is no way of shielding a target from a neutral particle beam, says Dr Gerold Yonas, chief scientist of the SDI programme. "It heats and melts from the inside out. It is practically impossible to counter."

The Los Alamos scientists, led by Dick Beurick and Fred Purser are developing a very compact particle accelerator, small enough to be put into space. The heart of their technology is a Russian invention called the radio frequency quadrupole (RFQ), which promises dramatic reductions in size and weight.

Three years ago these scientists recognised that Culham might have a kind of beam they could accelerate with their RFQ into a useful weapon.

Culham was studying neutral particle beams as a way of injecting extra energy into JET, the Joint European Torus, a European experiment in controlled thermonuclear fusion adjoining the Culham Laboratory. Neutral particle beams can be fired right through the intense magnetic fields enveloping the experiment. In this way JET's designers hope to superheat their plasma with an extra 15 Mw of power.

For JET, Culham's physicists led by Tom Green and Andrew Holmes have developed a high-voltage negative ion beam source operating at 80 kilovolts. It is part of a collaboration involving the JET team and French physicists at Fontenay-aux-Roses. In principle, the source resembles an old-fashioned radio valve, engineered to fire a pencil-fine beam of negative protons. Fine beams are needed to match the small "windows" of JET.

Stability had been one of the big design problems for this type of beam. What excited the SDI scientists was Culham's ideas for generating a very stable beam, of a kind that might be relied upon to perform perfectly after a long spell of inactivity.

Culham's design also generates a highly collimated beam; that is, it does not fan out like a torch beam, but remains perfectly parallel for long distances.

The Draconis beam source will be about four times as powerful as those Culham has designed for JET. The plan is to develop the beam source to 100 kilovolts and inject it into a new RFQ under development at Los Alamos, which will be shipped to Culham in 1988. Together, the two will make an accelerator about 4 metres long.

Culham already has a major test rig called the multi-megawatt beam line facility, built to test the JET beam sources. The physicists estimate it would cost the project about £5m to build this from scratch.

When the accelerated beam emerges from the RFQ, Culham has another task to perform, in designing the system for neutralising the beam. This can be likened to passing the beam through a fluorescent tube about 2 metres long, in which xenon gas will strip off the negative charge, leaving neutral protons to emerge.

The challenge here is to design a neutraliser which does not degrade the beam's brightness or sharpness.

If Draconis is a success they will also need a way of dissipating the 200 kilowatts of energy they expect to produce in a beam only 2 or 3 mm in diameter. Carelessly handled, this beam will do dreadful damage, causing explosions deep inside anything it may strike. Culham and Los Alamos plan to design a *safe way of dumping the beam* once they have made their measurements.

The goal of the SDI neutral beam programme is a high-voltage accelerator small enough to be launched into space. The present target is a device which can be packed *inside the cargo bay of the space* shuttle.

Dr Yonas is enthusiastic about the commercial spin-off from the SDI work. He believes the large ion sources needed for the SDI programme will also find industrial uses in the surface treatment of large engineering parts to enhance surface strength, wear-resistance or corrosion resistance. These effects would be achieved by driving "foreign" atoms into the metal: ion implantation.

He also believes the technology could be used to make a miniature accelerator for medical treatment, which deposited its energy right inside a patient's tumour.

Advanced computer system for French archives

BIBLIOTHEQUE National, guardian of the French national archives, is to use an advanced library and information system based on a local area network supplied by Geac Computers of London.

The network will use both coaxial and fibre optic cable to connect a variety of computers, terminals and information sources from different makers into a single integrated data system. It conforms to the "open systems interconnect" standards and later will transmit images to public terminals or laser printers from mass document stores held on optical disks. This will avoid handling the original documents.

WORTH WATCHING

EDITED BY GEOFF CHARLISH

UNDERSEA optical cable will be laid in March between Broadstairs, Kent, and Ostend in Belgium by British Telecom's cable ship Alert. The link will be the first international submarine optical cable and will carry 12,000 telephone circuits using only three repeaters (amplifiers) on the 120 km link.

The first optical cable to the US, TAT 8, is due in service by summer 1988.

Because these systems are digital, they will be able to carry computer data and video as easily as the customary telephone channels.

OPEN SYSTEMS Interconnection (OSI) will be discussed at a four-day conference at the Tara Hotel in London, March 18 to 21, organised by Online International.

Unusually, the first day is a pre-conference tutorial in which the much mentioned but little understood seven layer reference model of the International Standards Organisation and associated matters will be explained. The other three days are divided into two streams, one covering the provision, the other the use of open systems networks.

The full four-day conference costs £595, or without the tutorial day, £465. More *on 01-868 4466.*

COLOUR television sets with a three-inch liquid crystal screen offering better definition than those already announced should be in the shops in Japan in a month or two.

From Matsushita, the sets will have over 89,000 picture elements on the screen compared with about 50,000 now, giving a clearer, less grainy picture.

The receiver front dimensions are only 163 × 90 mm (6.4 × 3.5 ins) and the set weighs 430 gms (15 oz), including batteries.

The company plans to make the set, designated TR-3LT1, at a rate of 20,000 a month and will begin marketing from April 21 at a price of Y59,800 (about £230).

POWER TOOLS designed for use by robots have been introduced by Fein, the German power tool company and are obtainable from Trumpf, the German-based machine tool company of St Albans (0727 31111).

The tools have high frequency electric drives for efficiency and speed flexibility under electronic control. In addition, because they will operate at the end of the robot arm, the weight has been minimised, giving maximum manoeuvreability. The collet mounting system allows quick changeover of tools.

SITE SECURITY using radio is available from Site Guard of London (01-318 7235). Known as Radio Sentry, the system uses sensor and radio transmitter units which are fixed in the areas needing protection.

Intrusion, when monitored, is transmitted to a 24-hour centre.

UK NEWS

Rush to justice would not aid injury victims

DIFFERENT persons may hold different opinions as to what was the most significant event in the world of the law last week. The Duke of Westminster's failure to have legislation for leasehold enfranchisement declared a contravention of human rights was momentous.

So was the chairman of the Bar Council's success in obtaining leave to apply for judicial review of the Lord Chancellor's decisions about barristers' pay from public funds.

The Lord Chief Justice's demand for heavier sentences for rape may be regarded as timely. So may Judge Pickles' request for a relaxation of the Kilmuir rules, which restrict the freedom of members of the judiciary to comment on current controversies.

Ultimately the publication by the Lord Chancellor's Department of the Civil Justice Review's consultation paper on Personal Injuries Litigation may prove to have the most far-reaching effects in its impact on the English legal system.

The paper contains several statements of fact which need constant emphasis. More than 3m accidents "involving personal injuries" occur each year in England and Wales: 215,000 on the roads, 350,000 at work, and 2.5m elsewhere, mainly in the home.

Each year more than 2.5m injured and sick persons became "new beneficiaries of compensation payments" from various sources. In 1984 court proceedings were started in some 55,000 personal injuries cases: 31,000 began in the High Court, and 24,000 in the County Court.

The members of the review committee criticised caustically two aspects of the present system of personal injuries litigation. One was the time taken to recover damages. The other was the financial costs incurred in the recovery of damages in comparison with the amount recovered.

High Court cases took four, five, six or more years from accident to conclusion and even county court cases would take three years or more. Cases settled by agreement could also take as long as cases which came to trial.

It could take three years after the accident to get a case started. Even when the case was started it took nearly two years in the High Court in London before a defendant was provided with details of a plaintiff's case.

When all the parties were ready for trial, it took the best part of a year in the High Court before a judge could be made available.

The costs in the High Court added up to £50 or £70 for every £100 of damages awarded, and

'An unnecessary restriction on the professional rights of solicitors'

in country courts the costs added up to £125 or £175 for every £100 awarded.

The committee obtained its factual information from a report by Inbucon Management Consultants. The committee concluded that "the system is inefficient. It is dilatory. And it is disproportionately expensive." What suggestions did the committee make for improving the system?

The committee, relying on the Inbucon report, noted that a high proportion of the total time taken to resolve a case elapsed before proceedings had even been started; ranging from about 40 per cent in the High Court to more than 50 per cent in the county court.

To deal with this aspect of delay, it made three suggestions. The first was to reduce the limitation period for personal injuries cases to a period of 12 months from the date of the accident.

The second was to require solicitors handling personal injury litigation to obtain a special qualification and to restrict the conduct of that litigation to those solicitors. The third was to oblige a solicitor consulted by a victim of an accident to start litigation within a fixed period after the first consultation.

If there are as many as 3m accidents involving personal injuries every year, why should the victims of those accidents be deprived of any entitlement to compensation because they do not rush into litigation within a year?

Why should those whose fault caused the accident be immune from any liability to compensate the victim because the victim lets a year pass before starting legal proceedings? The scales of justice should not be annual but perennial.

Sometimes, the delay in starting proceedings may be due to a prolonged period of abortive negotiations in an attempt to settle the dispute without resort to litigation. Should the spirit of negotiation and conciliation be hampered by so severe a period of limitation on the starting of court proceedings as one year?

Furthermore, in many instances, more than a year may pass before the full effects of an accident on the victim's health or livelihood may become apparent.

If the limitation period for a commercial dispute is as long as six years, why should the period for personal injuries litigation be as short as one? If a reduction in the limitation period is thought to be desirable and just, why not from three years to two?

The proposal to exclude from personal injuries litigation all solicitors except an elite corps of specially qualified lawyers seems calculated to impose an unnecessary restriction on the right of a professional person to engage in his or her profession without in any way eliminating automatically delay in legal proceedings.

The proposal to compel solicitors to start proceedings within a fixed period of first acting for their clients seems also to be an unnecessary usurpation of the client's right to decide whether or not to litigate.

There seems to be greater merit in the committee's proposal for more publicity to increase potential claimants' awareness of their legal rights and of the steps necessary to

'There is no substitute for oral evidence and argument'

enforce those rights. With the current rate of accidents, no publicity can be excessive.

The committee suggests that for smaller cases there should be a special cheap and accessible system of paper adjudications. The adjudicator would reach his decision after reading and considering witness statements and expert reports, all of which would be on paper in some prescribed form.

Is this a suitable way of dealing with cases where there is conflicting evidence as to how the accident occurred or as to the effects of the accident on the victim's health or earning capacity or ability to enjoy or cope with life?

Even in smaller cases there seems to be no substitute for oral evidence and oral argument on that any any other evidence or issues.

The committee made several proposals about the more substantial cases: It recommended changes in procedure so as to achieve early settlement or trial.

The "key features" would be: (i) a "cards-on-the-table" system requiring early and detailed disclosure of each side's case; (ii) a timetable laid down by the court, with appropriate sanctions for non-compliance; (iii) an active pre-trial hearing based on evidence already disclosed; (iv) a trial limited to issues and evidence which remain in dispute after the pre-trial hearing.

There seems to be considerable merit in these principles and in the detailed suggestions put forward in the consultative paper to give practical effect to them.

Careful consideration and discussion of those suggestions are essential. What matters most is prompt action.

However, are changes in procedure enough? Should entitlement to compensation for personal injuries in an accident depend on proof of fault? Should a public fund be set up to compensate victims of accidents and spare them the anxieties and vicissitudes of litigation? Should there not be a greater public awareness of the frequency of accidents and the need and steps to avoid them?

Justinian

UK NEWS

Frozen foods battle heats up

By Christopher Parkes

TOUGHER COMPETITION and tightening margins last year cast a cloud over recent advances in the British frozen food market, according to figures published by Ross, a division of Imperial Group, the UK foods and drinks conglomerate.

Total industry sales rose 8 per cent in volume but only 9 per cent in value, contrasting sharply with the 4.5 per cent volume and 13.5 per cent value increases recorded in 1984.

Even so, the industry outperformed many other sectors of the food trade, according to Mr Nigel Worne, the company's marketing director.

Launching the fourth annual Ross report on the industry in London at the weekend, he said the market was worth more than £1.3bn at retail prices. The average household spent £74 on goods from shop freezer displays.

By contrast, the £890m tea and coffee market fell 5 per cent, and breakfast cereals sales rose only 3 per cent to £580m.

Ross, which based its review on statistics from the independent AGB organisation, claimed that the frozen food market had doubled in value in the past five years.

Much of the impetus behind last year's advance derives from strong growth in sales of meat-based products. Last year the sector accounted for 34 per cent by value of all frozen food sales.

Volume sales of meats rose 7 per cent in 1985, with a 12 per cent increase in value. In 1984, a 13.5 per cent volume increase produced only 14 per cent rise in value.

Within the meat sector, ready meals have shown particularly strong growth. Worth about £5m a year three years ago, it produced £80m in sales during 1985.

There are about 300 different types and brands of frozen ready meals competing in the UK market, Mr Worne said.

Ross, the second biggest brand in the UK after Bird's Eye, the Unilever subsidiary, claimed to have increased its market share last year by almost one point to 9.1 per cent.

Treasury considers tax on financial services

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

THE TREASURY is considering a new tax on the financial services industry in the run-up to the March 18 budget. It faces a number of legal and technical hurdles, however, and there are some doubts over whether these can be removed before the budget.

Mr Nigel Lawson, the Chancellor of the Exchequer, is expected to begin finalising his budget options in the next few days. Raising cash from the City of London is seen as politically attractive for a number of reasons.

In recent weeks Treasury officials have been carefully analysing the whole range of financial transactions which pass through the City of London's bank clearing systems. These include straightforward cheque payments and credits from the banks and building societies and international transactions.

A tax on such transactions might raise several hundred million pounds for the Exchequer.

One of its attractions would be that any revenue raised could be used to offset a reduction in the 1 per cent stamp duty payable on the sale and purchase of stock exchange securities.

Mr Lawson, who halved stamp duty in his 1984 budget, is thought to be keen to reduce it further before the so-called Big Bang in the City of London in October.

The slump in the UK Government's revenues resulting from the fall in the oil price, however, has severely limited his room for manoeuvre, and he will be anxious to avoid doing anything which might be seen as signalling special concessions for the City of London.

The Treasury has been studying ways of imposing a permanent tax on the banks since Sir Geoffrey Howe, the then Chancellor of the Exchequer, introduced a windfall levy in his 1981 budget. These have focused on a possible tax related either to their balances or transactions.

There are considerable practical difficulties. It might prove impossible to prevent the banks from simply passing on any extra liability to their customers while the imposition of any form of value-added tax on financial services is prohibited by European Community law.

The new status of the building societies means any tax might also have to be applied to them to avoid the charge of unfair discrimination against the banks.

The Treasury will also be anxious to avoid driving banking transactions offshore at a time when it is trying to promote London as a financial centre.

Lord Sieff to head new daily

BY RAYMOND SNODDY

LORD SIEFF, 72, is to become chairman of Newspaper Publishing, the company planning to launch the new quality daily newspaper The Independent in October.

The former chairman of Marks and Spencer, the retail group, will take on the role as soon as the second round financing of the project is complete.

Mr Andreas Whittam-Smith, editor and chief executive, said yesterday Lord Sieff had been chosen because of his business experience in the consumer area and his knowledge of public affairs. The second round financing designed to raise £16m is being launched today.

A prospectus was approved on Friday and the task of approaching potential investors begins today. The aim is to raise £7m in equity and £9m in loan stock within the next six to eight weeks to add to the £2m already raised.

There have already been expressions of interest in investing in the new newspaper from publishing houses and some newspaper wholesalers.

The company has now sent out letters of intent for nearly £5m worth of electronic equipment to produce the newspaper, including terminals for full-page make-up on screen.

Mr Whittam-Smith said yesterday that five or six major advertisers had already been in touch wanting to advertise in the opening issues of the paper.

The Independent, which is to be aimed at the middle to upper end of the newspaper market, is on schedule to be launched in the first week of October, according to Mr Whittam-Smith.

OBITUARY

Gaming Board chief dies on Snowdon

SIR ANTHONY Rawlinson, the chairman of the Gaming Board and a former senior civil servant, died on Saturday after a climbing accident in Snowdonia.

Sir Anthony, who was 59, died after falling 1,000 ft on the 3,560 ft Mount Snowdon, the highest mountain in Wales. He was an experienced and enthusiastic mountaineer. After being president of the Oxford University Mountaineering Club he was close to selection for the successful Everest expedition of 1953.

Educated at Eton and Oxford, and following service in the Grenadier Guards, he entered the Civil Service in 1951, initially in the Ministry of Labour, though later mainly in the Treasury. He served as economic minister in Washington in the mid-1970s, returning to the Treasury to head the public spending side from 1977 to 1983.

Sir Anthony became joint permanent secretary after the creation of the Department of Trade and Industry in 1983. He retired last year, becoming chairman of the Gaming Board in July.

Long-term jobless 'pushed out of market'

By Philip Stephens

AN ANALYSIS by the London Business School (LBS) of the sharp rise in long-term unemployment in Britain over the past six years underlines the bleak prospects facing people who have been out of work for more than a year.

It argues that many of the long-term unemployed have now been effectively pushed out of the labour market, strengthening the case for special government action to assist them.

The ratio of long-term unemployment to the overall jobless total has risen from 25 per cent to 40 per cent since 1980 and shows no sign of declining. Over the same period the proportion of people who have been on the official register for less than three months has fallen from over 40 per cent to just over 25 per cent.

The LBS study of flows into and out of the jobless register during 1984 shows that the longer an individual is unemployed the longer that person can expect to remain so. In 1984, for example, someone who had just become unemployed could, on average, expect to be without a job for about 11 months. For someone who had already been out of work for a year, however, the average duration was a further 22 months.

"Far from it being a question of first in/first out, or even all the unemployed having an equal chance of having a job, those who have just lost work push to the front of the queue for new jobs," the LBS says.

The implication is that the traditional market-clearing mechanism whereby the wages of those in work should adjust downwards to bring a return to full employment has virtually ceased to operate as far as the long-term jobless are concerned.

That, in turn, is likely to mean that long-term unemployment is serving little counter-inflationary purpose. "It follows that a reduction of long-term unemployment will have little if any effect on wage inflation and therefore carries no inflationary risks," the LBS says.

UK NEWS

Kinnock plans to scrap present labour laws

BY JOHN HUNT

A FUTURE Labour government would repeal all the industrial relations legislation enacted by the present Conservative Government, Mr Neil Kinnock, the Labour leader, said yesterday.

He said it would be necessary to "undo the lot." It would be no good fiddling around with bits and pieces of legislation – Labour would have to "clear the deck."

He made it clear, however, that Labour would replace present laws with new ones while retaining some features of present laws such as ballots on the election of union officials and on political funds.

Speaking on Channel Four television's Face the Press, he said Labour would change the law so that employers would no longer be able to dismiss workers because they go on strike.

The present law, which existed under previous Labour administrations, has been criticised after Mr Rupert Murdoch, chairman of News International, dismissed 6,000 print workers in a dispute involving Mr Murdoch's high technology plant at Wapping, east London.

Mr Kinnock said Labour would borrow from European legislation, which prevented striking workers from being dismissed. He believed the European system could be operated justly and fairly in the UK.

A similar view was given in a weekend speech by Mr John Prescott, Labour's employment spokesman. This is the fourth in a series of speeches by Labour spokesmen setting out the party's policy.

The remarks come on the eve of today's meeting of the Trades Union Congress – Labour Party liaison committee, which is drawing up a new policy on industrial relations legislation.

They both made it clear, however, that there could be no return to the pre-1979 framework when legal immunity could be claimed for nearly all forms of industrial action.

Mr Kinnock said the Labour Party would try to replace immunities with a system of "positive rights and responsibilities." This would allow unions and employers to negotiate in good faith without using the law the way Mr Murdoch had used it in the Wapping dispute.

Mr Prescott looked to the system being considered in the Irish Republic which, he said, would guarantee the rights and freedoms of both parties and individuals to an industrial dispute.

Mr Kinnock said union ballots would be retained in "a variety of forms." There would not be any big changes in systems which allowed the rank and file more say in decision-making and the election of officials.

Ballots on political funds ensured full political involvement by members and should be sustained.

Mr Prescott told a Labour Party conference in Hull that the Wapping dispute was an affront to common sense and decent practices. He blamed the Government's industrial relations law for encouraging such bitterness and said it was a disgraceful episode.

Pledge to expel members of Militant

By John Hunt

A BITTER confrontation between left-wingers and moderates is expected when the Labour Party national executive committee meets on Wednesday to consider the result of the party's inquiry into the activities of Militant Tendency, the extreme left-wing group, in Liverpool.

Mr Neil Kinnock, the Labour Leader, said yesterday that if there was firm evidence of people being members of Militant Tendency they would be put out of the party.

"That's what I've said for a long time and that's what we'll stick to," he said. A group of left-wing MPs, including Mr Tony Benn and Mr Eric Heffer, has put down a motion for the Wednesday meeting giving a warning against a witch-hunt over Militant's activities.

They are expected to resist any move to start expulsion proceedings against 10 leading Labour party figures in Liverpool, including Mr Derek Hatton, deputy leader of Liverpool City Council.

The motion, which gives a warning against the party being engulfed in "thought control", also has the backing of Labour MPs Miss Jo Richardson, Miss Joan Maynard and Mr Dennis Skinner.

Morgan tones up financial muscle

Barry Riley examines the change in strategy bringing together Exco and Morgan Grenfell.

THE PLAN to merge Morgan Grenfell, the merchant bank, and Exco, the financial services group, brings together two successful City of London enterprises that have expanded hugely in the past five years but which have previously hung back from making major strategic investments to exploit the opportunities arising from the City revolution.

Both lost key top men at a crucial time. Mr Bill Mackworth-Young, chairman of the Morgan Grenfell bank, died suddenly in late 1984, and Mr John Gunn, the driving force behind Exco and its chief executive resigned abruptly last September.

Morgan Grenfell is famed for its corporate finance business, and it emerged at the top of the 1985 league table for mergers and acquisitions activity. But it has been hesitant in moving into the securities market, picking up only two middle-ranking firms – brokers Pember & Boyle, best known for gilt-edged, and jobbers Pinchin Denny – for which it is paying a combined £31m. This is a comparatively modest investment by the standards of the outlays of many other banks.

Although Morgan has emphasised its wish to develop a role in the securities markets, in New York and Tokyo as well as London, it may have been financially constrained by its position as a private company. It considered obtaining a listing in 1985, but in the event decided only to keep the matter "under review."

In mid-1985 it obtained equity capital from Deutsche Bank, but the purpose behind the 5 per cent stake picked up by the latter has not become clear though "co-operation" was promised at the time.

In complete contrast, Exco has become overloaded with cash, much of it arising from the sale last July of its 52 per cent stake in the US financial information company Telerate for $460m. Including existing resources, that left Exco with something approaching £400m of net cash to spend on expansion elsewhere in the financial services business.

Even before July, Exco had been criticised for over-eagerness in raising cash through rights issues. At around that stage in the group's development Mr Gunn justified his position in terms of the need to be ready to take advantage of investment opportunities in possibly adverse financial circumstances. In the meantime, he did not wish to pay huge sums to buy high goodwill businesses such as stockbroking firms.

The Stock Exchange rebuffed Exco's attempt in 1984 to set up a new broking member firm. However, the group has built up a stockbroking firm called WICO, Galloway & Pearson, which consists of elements of two existing medium-sized London firms plus WICO, which has a strong Far East orientation.

But Exco's main operating activities still lie in the area of money broking from which the group arose in the mid-1970s, with the addition of businesses in specialist areas such as forfaiting, leasing and futures broking.

Exco is one of three independent financial groups – the others are J. Rothschild Holdings and Mercantile House Holdings – which have set out to build international financial services organisations only to be forced to unwind at least some of their initial moves, albeit profitably.

In Exco's case there has been further embarrassment from the change of ownership of a large chunk of its own shares, originally held by British & Commonwealth Shipping. After controversial stock market transactions in November 1985, the Malaysian financier, Tan Sri Khoo emerged as a 22 per cent shareholder (subsequently raised to around 27 per cent). This has left the cash-rich Exco worried about being taken over.

It appears that the idea of a deal with Morgan Grenfell was first hatched around Christmas, and has been actively negotiated in the past couple of weeks.

Morgan's strategy for the City revolution became clearer last September when it announced a restructuring of its merchant banking activities into separate banking, securities trading and investment management arms.

But rivals pointed to the relatively small amount of capital available to support the group's activities. In the post-Big Bang environment it is generally expected that the major corporate finance houses will need to support their new issue and merger activities with strong distribution networks, with a parallel ability to finance huge bought deals and block trades.

The Exco deal will give Morgan Grenfell access to enormous new capital resources and at the same time will bring it to the stock market. Curiously, it promises to make the combined group bigger in terms of market capitalisation than Morgan Stanley, its distant cousin investment bank in New York which also happens to be in the process of going public at present. The two banks are no longer connected, but share common 19th-century origins.

If the deal goes through, Morgan Grenfell will potentially have the financial muscle to compete with the other big UK securities market pretenders such as Mercury and Kleinwort Benson, and with US names such as Morgan Stanley and Goldman Sachs.

All the same, Morgan Grenfell still has some way to go to catch up with some of its competitors in developing global networks which tie in the key centres of Tokyo, London and New York.

Database market 'growing at 50% a year'

By Raymond Snoddy

THE UK market for business databases is now worth £20m a year and is growing at a rate of 50 per cent a year, a new study argues.

The database market is expanding because of the increased use of micro-computers in business, growing awareness of the potential of databases and a stream of new database services, the report on the marketing of online business information argues.

There are now about 10,000 customers using databases such as Textline ICC and Predicasts. Average users are spending £150-£200 a month using databases to retrieve information on company accounts or research information in newspapers and the trade press.

Increasing business decision makers are using databases as well as company librarians.

Detailed case studies of how companies use databases suggests that the British online industry can only achieve its full potential if more is spent on market research and ownership becomes more concentrated.

How to Market Online Business Information to End Users by Paul Ormerod. Headland Press Freepost 22 London EC1A 7GT. £295.

BASE LENDING RATES

ABN Bank	12½%	■ Guinness Mahon	12½%
Allied Dunbar & Co.	12½%	■ Hambros Bank	12½%
Allied Irish Bank	12½%	Heritable & Gen. Trust	12½%
American Express Bk.	12½%	■ Hill Samuel	†12½%
Amro Bank	12½%	C. Hoare & Co.	12½%
Henry Ansbacher	12½%	Hongkong & Shanghai	12½%
Associates Cap. Corp.	12½%	Johnson Matthey Bkrs.	12½%
Banco de Bilbao	12½%	Knowsley & Co. Ltd.	13 %
Bank Hapoalim	12½%	Lloyds Bank	12½%
Bank Leumi (UK)	12½%	Edward Manson & Co.	13½%
BCCI	12½%	Meghraj & Sons Ltd.	12½%
Bank of Ireland	12½%	Midland Bank	12½%
Bank of Cyprus	12½%	■ Morgan Grenfell	12½%
Bank of India	12½%	Mount Credit Corp. Ltd.	12½%
Bank of Scotland	12½%	National Bk. of Kuwait	12½%
Banque Belge Ltd.	12½%	National Girobank	12½%
Barclays Bank	12½%	National Westminster	12½%
Beneficial Trust Ltd.	13½%	Northern Bank Ltd.	12½%
Brit. Bank of Mid. East	12½%	Norwich Gen. Trust	12½%
■ Brown Shipley	12½%	People's Trust	13½%
CL Bank Nederland	12½%	PK Finans. Intl. (UK)	13½%
Canada Permanent	12½%	Provincial Trust Ltd.	13½%
Cayzer Ltd.	12½%	R. Raphael & Sons	12½%
Cedar Holdings	13 %	Roxburghe Guarantee	13 %
■ Charterhouse Japhet	12½%	Royal Bank of Scotland	12½%
Citibank NA	12½%	Royal Trust Co. Canada	12½%
Citibank Savings	¶12½%	Standard Chartered	12½%
City Merchants Bank	12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13 %	United Bank of Kuwait	12½%
Comm. Bk. N.-East	12½%	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Continental Trust Ltd.	12½%	Whiteaway Laidlaw	13 %
Co-operative Bank	*12½%	Yorkshire Bank	12½%
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptrs.	13½%		
Grindlays Bank	§12½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.70%. 1-month 8.80%. Top Tier—£2,500+ at 3 months notice 12.08%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 9% gross.
¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13%.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Government and industry

'The art of lobbying is becoming a profession'

Hazel Duffy explains why contacts with Whitehall are so important to companies

"IF YOU don't lobby, the government assumes you don't have any problems," says Sir Ronnie Halstead, former chairman and chief executive of Beecham, the UK pharmaceuticals group. Still slightly bemused by his unceremonious sacking last November, allegedly for spending too little time running Beecham, Sir Ronnie defends the time that he spent with ministerial and other contacts in Whitehall, and on various public-spirited jobs like chairman of the knitting EDC—from which unlikely base he scored a notable victory in persuading the Treasury to make importers pay VAT when bringing in their goods.

"These activities raised Beecham's profile in Whitehall. They were good value for the company," he says.

Whitehall acknowledges that Sir Ronnie is a pretty shrewd operator on the political circuit, and his views were sufficiently well appreciated for him to be one of the select band of industrialists whom the Prime Minister would call in for a chat from time to time. In company with other businessmen like Sir Hector Laing of United Biscuits, Lord Sieff of Marks & Spencer, and Sir Patrick Meaney of the Rank Organisation, he would be asked for his opinions on the general state of business and the economy.

Beecham is a group which has plenty of cause to need such contacts. When he became chairman and chief executive in the summer of 1984, Sir Ronnie was confronted with a government determined to cut the rising cost of National Health Service drugs. It helped that he could call on the Health Minister, then Kenneth Clarke, Sir Kenneth Stowe, the DHSS Permanent Secretary, and the senior civil servants dealing with the issue.

This does not mean that Beecham, and the other pharmaceutical companies, won the battle. The Government issued a restricted list of drugs that doctors could prescribe, and started negotiations on the companies' profit margins on drugs by seeking to cut their return on capital.

"The point is that these big companies know how to go about their lobbying," says an ex-civil servant who used to be on the receiving end of this discreet pressure from companies. "They don't always win, and it isn't right that they should. But their case does not go by default through not being heard."

Some companies have an extrovert chairman or chief executive who, like Lord King, chairman of Babcock International and British Airways, likes the political process, and they are happy to leave the job there. Others have at the top somebody who does not necessarily enjoy lobbying but, by virtue of the company's need to have contact with government, must undertake this responsibility.

Increasingly, in the biggest companies and banks, the art of lobbying is becoming a profession. Like their American counterparts, which unashamedly pursue politicians and civil servants, they employ government relations specialists in-house.

This may be one person, working usually in the public affairs division, or a whole department, as in the case of BP. These specialists play a sensitive role, within the group and externally. They act rather like a minister's private office, "servicing" the senior executives in their relations with government, and making sure that managers throughout the group know who to contact in Whitehall and the regional offices of government departments.

"I am responsible for building the bridges that don't exist and keeping going those that do," says one such specialist. David Walton, BP's general manager, government and public affairs, explains how his department works: it identifies and ranks current issues as "crucial, important or relevant" to BP, with agreement at all levels of the company. Walton warns that this agreement is critical, "otherwise inconsistencies or ill-natured targeting or timing of contacts with Westminster or Whitehall can completely nullify their effect—or rebound unhelpfully. Every company has only so much political 'capital' to spend at any one time," he told a recent conference on lobbying arranged by the Industry and Parliament Trust.

His department knows exactly where to lobby, whom to lobby, and who in the company should be doing it. If MPs are the target, it will be the group of 15-20, already well briefed by BP, who have particular weight on a key topic, whether in government or opposition. The minds of ministers can also be influenced, if not to change policy, at least to frame it in such a way that it will work.

BP gives the example of the mass of legislation affecting the oil companies in the 1970s, which brought the industry much closer to the government. The industry did not succeed in changing the policy direction, but, it claims, the measures were made workable because of industry advice.

And relations between government and business are a two-way process. Ministers sometimes like to float policy ideas over boardroom lunches. Then, when ministers' minds are made up, their civil servants like to be able to test specific proposals and seek technical help before framing legislation.

There has, for example, been much coming and going between Whitehall and the City before the publication of the Financial Services Bill, and the Building Societies Bill, all of it encouraged by the permanent secretaries of the sponsoring departments (the Treasury and the DTI).

The clearing banks have their own government affairs specialist, despite the intermediary role of the Bank of England, and their "trade association," which speaks for the clearers as a group. Interestingly, the building societies do not have such an arrangement, preferring to work through the Building Societies Association.

All too often, in the absence of the patient cultivation of contacts perhaps only open to the large companies with their greater resources and influence, business turns to the growing number of consultants like Good Relations and GJW Government Relations. It is not that such specialists are of no use but that clients expect them suddenly to wield an influence quite beyond their capacities.

"Some of the best and most effective lobbyists are not the professionals," says Norman Tebbitt, Conservative Party chairman, and someone much on the receiving end of the lobbyists' efforts. "They are those in industry, the City and elsewhere who, by experience or aptitude, know how the political and governmental networks operate."

Even when a company realises that a more sophisticated approach is needed, things can go wrong. The case of Sun Oil makes the point. The American company came up against strong government pressure for it to have its Balmoral oil field platform built in Britain and not Sweden, which the company wanted. Despite having hired an ex-Department of Energy permanent secretary as a consultant, its commercial decision to stick with Sweden not only led to a public attack on it by a Government minister in the House of Commons, but is widely believed in the oil industry to have seriously harmed its position in bidding for future exploration rights.

High level lobbying takes a lot of planning and organisation, and understanding of the political process. It also helps to see things from the point of view of government, and to have something to offer it. IBM, for instance—the company which, although American-owned, has come pretty close to perfecting the art of understanding British politics—spends a lot of time with civil servants explaining technical aspects of information technology. In this, moreover, as IBM says, its managers and civil servants are sometimes feeling their way, a process which has brought them closer together.

IBM's British cultivation of government is paralleled in France, Germany, and all the European countries in which the group operates; it concentrates on understanding the subtleties which differentiate the various political systems.

Contacts, both at the technical and political levels, are frequent. But IBM is careful to use its top people very sparingly. When Sir Edwin Nixon, its chairman, meets a minister or permanent secretary, it is like a meeting of heads of state. Both will have been briefed on the items the other wants to raise, and, at least from IBM's point of view, an objective for the outcome of the meeting will have been set in advance. "It is a professional meeting," says IBM's government affairs specialist. "We do not see it as a chummy relationship."

Not all top businessmen would go along with the formality suggested by that meeting. "I don't think there is any way one can work with civil servants unless one knows them well," says a chairman. That is the justficatioin for a large social framework of personal contacts, bolstered by events such as the gala night at Covent Garden sponsored by Exxon last year, to which politicians and civil servants (along with Prince Andrew) were invited.

The importance of the relationship with civil servants as opposed to politicians is that they are the continuous element in the political process—unlike politicians who change departments, get sacked, and all disappear with a change of government. This is recognised by Whitehall, where more progressive officials are putting greater emphasis on good contacts outside. Since the early 1960s, a weekend meeting is held each spring at Sunningdale, Berkshire, attended by all permanent secretaries and an invited group of businessmen.

Another established meeting place is The Node, a country house in Hertfordshire where young, potentially very senior civil servants, mix with private sector managers on a training course. And last year saw the start of six week training courses obligatory for those about to be promoted to under-secretary rank in the civil service, again attended by managers from outside Whitehall.

Some companies also make an effort to show Whitehall what they are about. BP holds familiarisation courses, for instance, and ICI arranges plant visits. Secondments between industry and the civil service are another means of promoting understanding.

Despite these moves at formal and informal levels, however, there remains a considerable gulf in understanding between Whitehall and industry, particularly among companies not in the top league. The faults seem to lie on both sides, and are as much a cultural difference as anything.

"Civil servants are a discreet bunch," says one manager. "Anybody from outside can't understand how you can sit next to the same person for 20 years and still not know how he votes." Contrasts are sometimes made with the seeming openness of officials in the US, although American oil company executives in Britain have been heard to comment that the British civil servant is in fact much more approachable than his counterpart in Washington.

Even when considerable resources are devoted to lobbying, however, the results are not always to the liking of business. Despite their fairly sophisticated techniques, and the presence of former politicians and civil servants on their boards, the banks have had three shocks meted out to them by this government: withholding tax, changes to the provisions for leasing, and re-cast capital allowances. ICI fought hard for retention of the old regional development grants system, without success.

Lobbying, however, must not be seen purely in terms of success and failure. "So many industrialists say they want government off their backs when what they really mean is that they want government in their laps," says one lobbyist. The seasoned observer of government takes a more rounded look at the business, and aims to see that politicians and officials are as well briefed about the company's affairs as the company would like to be about government's plans. As ICI's government affairs specialist puts it: "We obviously like to know what the government is doing and planning, but we also want to make sure that they don't suffer shocks about what we are doing."

"Well, Minister, I'm afraid this bottle of Lafite is like our forward order book—empty"

Management abstracts

This is how we tackled monotony. E. Hauser in Management Zeitschrift (Switzerland), Apr 85 (3 pages, in German, English version available)

Having realised that the monotony of most jobs in a bottling plant leads to lack of concentration and to low quality of working, an unidentified company set up a programme to improve the position. What is included, and how employees reacted, is the subject of this paper.

The egomyths of marketing. H. Williams in Management Today (UK), Sept 85 (2 pages)

Explores some of the elitist barriers that still exist in UK business society: the so-called "egomyths"; argues that such elitism prevents marketing from recruiting the most able personnel. Tackled here are such myths as "classical" background (Oxbridge being the best) and "age" (under 25 is too young, over 45 is too old).

Auditing the troubled employee. R. P. Moffie + others in The Internal Auditor (US), Aug 85 (7 pages)

Warns against the damage to efficiency caused by the "troubled" employee, and catalogues the symptoms of neuroses, personality disorders, and psychoses (e.g. rarely laughing is a symptom of paranoia). Discusses how internal auditors can help launch programmes of identification and rehabilitation; suggests that a member of the internal audit team should be selected to become especially knoweldgeable about malajustive behaviour; points to source documents which could be added to the interal audit library.

Relationships between the chairman and the chief executive office. G. Chitayat in Management International Review (Fed. Rep. of Germany), Vol 25 No 3 (6 pages)

From a survey based on questionnaires and interviews, analyses the working relationships between the chairman of the board and the CEO, and identifies the priority activities of each; sees chairmen who are not also CEOs as having surprisingly narrow responsibilities, and finds no evidence that board performance may be improved by separating the roles.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p + p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

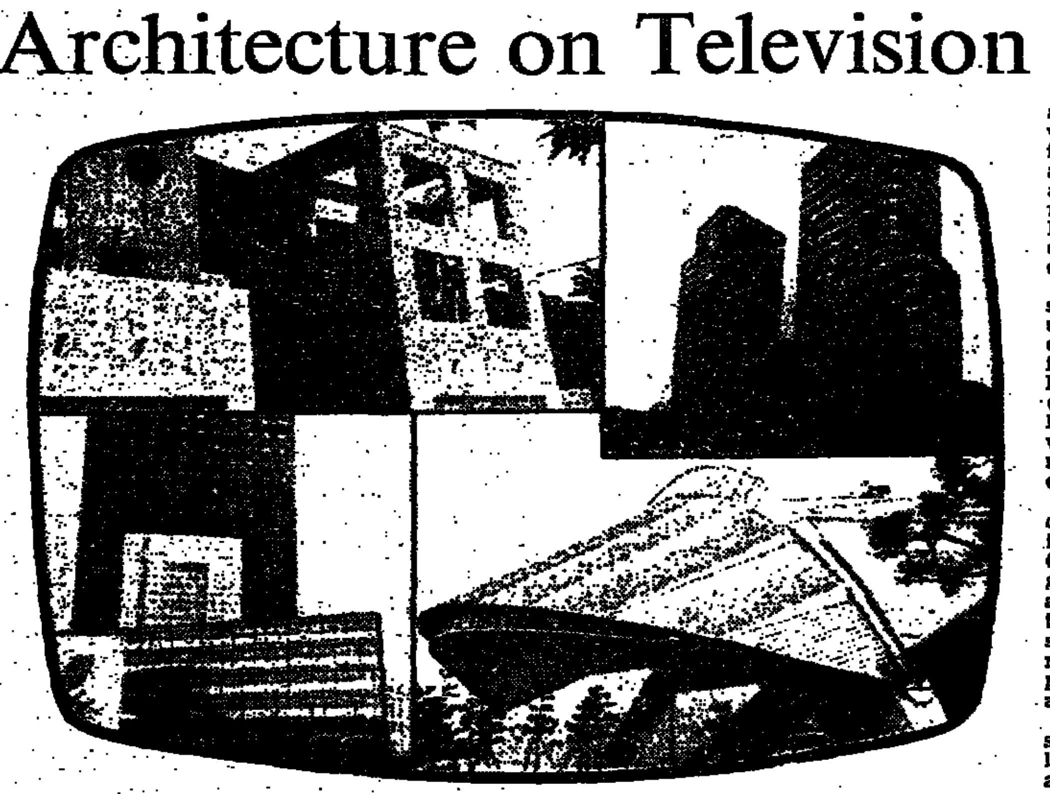
THE ARTS

Architecture on Television

It is a brave man who decides that the story of contemporary architecture will be popular Sunday television viewing for 10 weeks in the winter. Peter Adam, a well-known BBC television arts producer, has taken on the tricky subject of *contemporary architectural* and environmental thinking and decided to look at it all over the world. The series he has written and produced is called *Architecture at the Crossroads* is shown on Sundays at 9.30 pm BBC 2, and it reached part seven, "*Stop the Bulldozer*," last night.

Mr Adam is something of an innocent abroad. He cheerfully admits architecture is not his subject. He sees the series as something of a Cook's Tour of contemporary design that

Colin Amery views a package tour of contemporary design



Architecture around the world hits the small screen but leaves no big impact

will, by its wide ranging nature, show that someone, somewhere out there is producing stimulating work. It is a bland, all-embracing approach and so far all the programmes have shown both characteristics.

I though the first part was quite terrible. I groaned as all the clichés of the past 20 years were produced about modern architecture and why it has been so unpopular. It looked as though the BBC had only just caught up with a bandwagon that has long been rolling in a different direction. Only the work of one firm that was shown, Team Zoo (apparently a serious name for a Japanese architectural practice) really demonstrated the sort of change of heart that I think Mr Adam wanted us to appreciate.

The series claims not to be about style, yet it seemed to me, after watching eight out of 10 episodes, that they *are* all about style. The last words of the last programme are uttered by Philip Johnson who looks ahead to a variety of architectural styles.

The second programme waandered about looking at as many styles as possible and the script, which is at times really bad, waved all the jargon at us —"post-modern," "high-tech," "rationalism," without ever explaining the terms in comprehensible English.

There are virtues in this kind of broad survey. In any travelogue there are places that excite and about which you want to know more. Although the "World of Islam" programme was of a sweep round a suddenly rich Gulf, when it stopped to look at Uzon's Kuwait parliament (he was the architect of the Sydney Opera House) you really wanted to know and see more.

In the sixth programme, about Japan, similarly exciting new houses by designers relatively unknown here like Ando and Hara, suddenly ignited the relentlessly impartial overview with some serious and creative ideas. Also in "Berlin, A City for People" (were cities ever for anyone else?), a strange collection of internationally fashionable architects (Krier, Kleihues, Hollein, Stirling, Isosaki, and Ungers) were given the opportunities that can be offered only in the peculiarly German sort of ordered architectural exhibition.

It was a shame not to see some of the restoration work that parallels the new in Berlin. It is on the rare occasions that these programmes stop their restless visual dynamics that some serioues ideas are allowed to come across. If only Mr Adam could concentrae more on less he would find more answers.

The decision not to have any visible narrator or front man means that the films have the quality of old newsreels, with an all-purpose script read by a singularly uninterested actor. After panning the cameras around a few dozen buildings with an occasional stop for a few clichés from world famous architects, the tiresome script always says, "the question remains..." and the viewer is left yet again with no clear idea of the writer and producer's own views.

It was a good idea to drop some of the musical clichés that usually accompany architecture on the screen, Gregorian chant for Gothic, Handel for the Baroque and *musique concrete* (of course) for modern horrors. But the decision to present the whole thing to a background of murmuring people or roaring cars is odd to say the least.

Last night's programme about conservation looked at Frankfurt, Boston, Washington, Covent Garden, Paris, and glimpsed the Arab world. Again and again I longed for someone to expound the argument. Conservation has happened for far more complex reasons than people just liking old cities—and it is not a new phenomenon.

What a chance was missed to show how new architecture is largely the product of a reawakening of the muse of history. And what a wonderful lack of any sense of irony or humour not to notice that nearly all of the restored buildings singled out for praise have become museums. Mr Adam is *not hot on making connections* — perhaps there is a slight link between the petrodollar glitter of the Middle East and the traffic-ruined cities of the West?

Architecture on television should involve the viewer in the process, the cause and effect of new designs. This means much more than filming the exteriors of the world's latest buildings. More people are involved than architects. This package tour of contemporary architecture is as rootless and uninformed as much modern tourism — a lost opportunity for enlightenment.

The Apple Cart/Haymarket

Michael Coveney

It is difficult to summon any enthusiasm these days for *The Apple Cart* except as a vehicle for a certain form of personality acting. Shaw's extravaganza in which he sets the charisma of a futuristic English monarch against the bovine conspiracy of *an anti-Establishment Cabinet* led by a Scots Prime Minister (the year is 1929, Michael Denison nudgingly toothless as Ramsay MacDonald) is about as enticing as a free holiday in the Falkland Islands. It *is*, as satire, a total non-starter.

Hannen Swaffer thought the first performance heralded a great event in the history of the English theatre. Since then the show has inevitably subsided into a parade of character actors batting with the misapplied skill of David Gower against a West Indian attack while King Magnus walks all over them and, in the famous boudoir interlude, dallies with his mistress Orinthia.

It means nothing. The king is a witty man of the world, his politicians prostrate oafs who know little about the measure of affection in which the public holds someone who has no genuine claim on its attention. The Ruritanian aspect of all this is underlined in Val May's wretched production, which lumbers King Magnus with footmen who look as though they have been dragged in from one of the cheaper hotels along the Strand, and a couple of simpering private secretaries (John Franklyn-Robbins and John Scarborough) who read contemporary newspapers but talk like Edwardian supernumeries.

Alexander McPherson's coarse quasi-classical design reinforces the idea that nobody involved has attempted to respond to what may remain of comic fantasy and prophecy in the work. With its shabbily gilded pillars, all-purpose antique furniture, ghastly costumes (Marius Goring as the Foreign Secretary is allowed a Garrick Club tie, Moira Lister as the Powermistress General, a blue two-piece that would have disgraced Mrs Thatcher in 1979), the evening becomes a sort of stylistic mausoleum, a *cry for help from the GBS home* for old troupers.

The minor saving grace is Peter O'Toole as the king, but even here I must repeat misgivings voiced on the occasion of his Higgins a few seasons ago. This is not acting. It is charismatic drifting. The performance lacks any sense of pace, dynamic or control. It indulges, lazily, the privilege of all star actors, which is the most unforgiveable privilege of all: the lack of concern over whether what the actor says makes any sense or impression at all.

The central intellectual strain in the play is entirely bulldozed in the playing of the ministers, who enter in a treasurable bumble, from the left as it were like some suddenly wound-up collection of half-remembered notables: it is indeed an astonishing thing to recognise, simultaneously and together, this senior West End chorus line, the unmistakable faces of Mr Denison, Geoffrey Keen, Mr Goring, Brewster Mason and David Waller. Paul Rogers, noisily disloyal to his talent as Boanerges in a hideous donkey jacket is already *in situ*.

Then come Dora Bryan and Miss Lister. And still we have hardly started. The overcrowded third class carriage of the cabinet, as the Queen refers to them (some phrases do *retain flavour and sting*), is then invaded by Bernard Braden—much shorter and plumper than I would have liked to see him—as a pushy American ambassador offering Magnus a third act role as Emperor while he himself supervises America's return to the British flag.

The romantic interlude between O'Toole and Susannah York's Orinthia is fatally bereft of comic style or rhythm, the sexual tumble executed in a particularly manufactured fashion.

Madam Butterfly/Coliseum

Rodney Milnes

Bright new productions of standard repertory operas may cause an agreeable frisson on a first night, but the point is, how do they stand up to revival? In the case of the ENO's *Butterfly*, first seen in the production by Graham Vick 18 months ago and revived last Friday, the answer is not at all well.

The first act, persuasively thought through and strikingly staged, remains a success. Mr Vick's scenario for the second act, however, in which Butterfly is shown to be mentally ill in the first scene, is doubtless very interesting (though difficult to follow) but it is unfortunately not the one that Puccini chose to set. Not for the first time Mr Vick has staged a show for which he should have engaged someone to write new words and music to *fit* his concept: here the chasm between production and text is unbridgeable — no wonder the audience titters nevously—and the performance falls into it with ignimony.

Which is sad, as much talent is wasted on it. Making a welcome return to the house, *James Lockhart* draws beautifully balanced playing from the orchestra and paces the score, opened cuts and all, with unobtrusive skill. Magdalena Falewicz, a veteran of the Joachim Herz version of *Butterfly* (poor Puccini has not had much of a look in recently) in both Berlin and Cardiff, was sadly not in her best voice — neither her breathing nor her top quite delivered what she required of them — but her remembered intelligence and intensity paid handsome divi*dends in Act 1. There was little* she could do with Act 2.

Rowland Sidwell, in good, ringing voice, seemed too amiable a chap to play the black *Ur*-Pinkerton thought to be *de rigueur* nowadays, nor should be have had to try: Puccini's second thoughts—and Giacosa's first—are unarguably superior. Norman Bailey repeated his rumpled Sharpless, and the best integrated impersonation came from Anne-Marie Owens, a Suzuki alert to every implication of the plot, her expressive features registering tragically frustrated affection for her mistress and smouldering rage at her thoughtless persecutors.

A dispiriting evening. On the first night in 1984, the technical brilliance of the staging—Mr Vick and his designer Stefanos Lazaridis know a thing or two about theatre — fooled some people into thinking this a valid interpretation of the opera, though not on this page. Repeated exposure confirms that it is not such thing, and it should now be quietly shelved.

Rozhdestvensky/Barbican

David Murray

Thousands of musical Miniver Cheevys wish they had spent their 20s in Paris, from about 1905 to 1915, when what had been a remote *entente cordiale* between French and Russian music suddenly—with the arrival of Diaghilev—became a joint proposition.

On Thursday Gennadi Rozhdestvensky and the London Symphony drew a fine, unhackneyed programme from the period, graciously emphasising the French side (but—maybe—counting on Stravinsky's *Sacre du printemps* to sweep the boards anyway): some rare Debussy and Satie, neither piece a Diaghilev product, and Satie's ballet *Parade*—a Diaghilev piece by a composer who was too odd and too quirky to register any Russian influence at all.

The Debussy was his 1913 children's ballet *La Boîte à joujoux*. Presumably the reasons why we never hear it are that Debussy finished only the piano score (André Caplet completed the orchestration after Debussy's death: purists worry about the "inauthenticity," though in fact the later Debussy often got colleagues to do his orchestrating), and—more serious—that the music mirrors the narrative in such theatrical detail that it cries out for stage performance (which it hardly ever gets).

Rozhdestvensky treated the score most tenderly, to the point of underplaying its few really extrovert passages. All that sympathy had to be admired; but something would have been gained, and nothing lost, by giving the brightest bits full value.

If the *Boîte à joujoux* came near to soporific wistfulness, Ravel's "Une Barque sur l'océan"—another worthwhile revival—was over-temperate too. This is Ravel's orchestration of one of his *Miroirs* piano pieces—a risky one, for the original "Barque" gets its sharp profile from the crisp piano figuration: boneless string tremolos are no substitute, and Rozhdestvensky allowed some of the strong phrases that hold the original together to dissolve in the orchestra wash.

Satie's *Parade* sounded sharper. Though some of the dances should have been snappier, the continual comic reversals of tone matter more, and with them Rozhdostvensky's deadpan finesse was impeccable.

Gloria/Covent Garden

Clement Crisp

There are various way of holding an audience. The Royal Ballet seems to have realised that one ploy is to bore their public into submission. A triple bill, *given its first outing* last week, completes the repertory for an 11-week period until early April, whose only other components are those astounding novelties *Manon, Giselle, Fille*. This example of artistic inertia, matched by lethargic casting, is worth considering in relation to New York City Ballet's activity during a comparable period just ended, when 42 ballets, including two novelties, were on offer, in nightly performance.

The new Opera House triple bill, *which I saw on Friday* night, comprises *Gloria, Consort Lessons* and *Frankenstein*. About *Frankenstein*, which opens the evening, I can but say that I have no sympathy with it. It is reportedly "bringing in a new audience," who must be getting the oddest impressions of orchestral behaviour — Mighty-Wurlitzer fashion—as the only intriguing factor of Mr Vangelis' trumpery sound-track, and of costuming.

Ballet-lovers may care to know that *Frankenstein* is *performed first*, and that on Friday night the curtain did not rise on the second ballet until 8.45 pm, so that a more than usually relaxed pre-theatre dinner should be possible. Ashley Page was newly cast as the good Doctor, dancing handsomely. Gail Taphouse was an Elizabeth who would be better served by being seen with a taller partner.

David Bintley's *Consort Lessons* is a work which still looks as if it has yet to be fully danced. I was tempted, watching most of its cast hot in pursuit of steps they failed to catch, to the view that the piece *would reveal* the sparkle and bravura inherent in its choreography were it danced by New York City Ballet. Honourably in command of every nuance and least demand of the dance was Fiona Chadwick in the leading role. Assured, elegant in the central quintet — Mr Bintley's Rose Adagio, and beautiful — she radiates a true ballerina presence where it is most needed, and gives the ballet is dynamic and emotional focus. It is a fine work, deserving the finest performance.

Kenneth MacMillan's Gloria, with its original cast, spoke as ever of the continuing emotional repercussions of World War I. Extraordinary the impact of Jennifer Penney's interpretation, serene, compassionate, imbued with sorrow, a figure to be identified with the women (whose tragedies lie at the heart of Vera Brittain's *Testament of Youth*, source-reference of the ballet) who saw husbands, lovers, brothers sacrificed in the trenches. Whether contemplating the revenants from the escarpment of Andy Klunder's set, or caught between brother and lover in dances with Julian Hosking and Wayne Eagling, Miss Penney's ideal body and ideal dancing are magnificent. The contrasting liveliness of Wendy Ellis, buoyant on the lighter music of the *laudamus te*, is no less apt and poetically right. The performances by this central quartet and the supporting artists do honour to a noble ballet.

Muldowney/Purcell Room

Max Loppert

Dominic Muldowney, the third composer to be featured in the Endymion Ensemble's "Four Composers" series, came across on Thursday as both a distinctive voice of uncommon immediacy and an admirably practical craftsman. For this reason, the concert could be counted a truthful representation. Anyone who through it was coming to Muldowney for the first time might perhaps not have guessed that his creative range also covers concertos of quite substantial scale; but otherwise the four works here performed made up an extremely successful small Muldowney survey.

The fact that (as music director of the National Theatre) he owns *a close involvement* with the stage is something an "innocent ear" without benefit of programme biography might deduce in any case. The opening piece, *A Second Show* (1983), for alto and three instruments, confronts 16th and 17th century Venetian music with modern technology, and live sounds (vocal and instrumental) with taped. The unfolding is acutely dramatic — exactly paced and pointed — and, while it might be difficult to explain exactly why the results command unbroken attention, the confident control of means underlying them is never in doubt.

Muldowney's imaginative response to words was also clearly adumbrated. Two Brecht songs cycles — Five Theatre Poems (1980) and *The Duration of Exile* (1983) — each present and shape the chosen texts with loving care (the composer's disapproval, as expressed in his programme note, of the "inferior status" commonly assigned to words by contemporary composers made heartening reading).

The former expands what might be called a set of accompanied recitatives; the latter is a cycle of nine genre songs subtly linked. In both, the appropriateness of form to *content is impressively close, as* is the unforced eloquence of vocal expression (a quality which Linda Hirst's singing truly caught). Six new arrangements of Bach chorale preludes —a brilliant small *tour de force* in which taped incursions gradually add their own dramatic programme — heightened one's awareness of practical skills in exact operation. Watching the steady development of this composer over the past decade or so has been a privilege and a pleasure.

Contemporary CO/St John's, Smith Square

Richard Fairman

The Contemporary Chamber Orchestra is a relatively recent formation. On Thursday it made its first appearance at St John's Smith Square and established its credentials with two pieces from the romantic German repertoire: Schoenberg's *Verklärte Nacht* was coolly, very capably played under conductor Odaline de la Martinez and the evening came to an attractive close with Wagner's *Siegfried Idyll*.

But it is the contemporary field that will surely keep this orchestra employed in the future. Nothing could distinguish its programmes more than a premiere in each and on this occasion we had the first performance of Music for 25 Solo Strings by James Erber (b. 1951).

At first sight such a piece by an English composer, using strings and with Byrd as inspiration, might seem to have quite a few forerunners — Britten and Tippett spring to mind — but Erber's way with his source turns out to be very different.

A casual listener would be unlikely to hear any Byrd in this work at all. Whereas Tippett in his *Fantasia concertante on a Theme of Corelli* keeps the music that inspired him intact, Erber dissects and analyses his. Rhythms are used, but not pitches.

The other recent work was *The Black Tower* by Bernard Benoliel. Originally written in 1969, this piece was given in a newly revised version. Its single movement gives the impression of a virtual tone poem for chamber orchestra, to which the vocal solo at the close (a piece of extreme writing for the voice delivered by the ever-resilient Jane Manning) is almost incidental: much of interest here in the musical textures, though the style now seems less original, less personal than one might have expected.

Saleroom/Antony Thorncroft

A bed fit for a king

There are two good furniture auctions in London this week. The star lot is probably the Leeds Castle state bed which Christie's sold for £7,500 in 1978 but which Sotheby's hopes might make £20,000 on Friday. Built around 1710, it still *retains some of its original* yellow hangings.

Among the other items on offer Charles Walford of Sotheby's selects a mahogany tripod table of around 1755, quite small and of popular appeal; a Sheraton satinwood writing table of around 1795, which could sell for £10,000 because the design is illustrated in Sheraton's "The cabinet maker and upholsterer's drawing book"; and, for anyone liking an historical association, a wide spread of bookcase which once housed the library *of Mrs Fitzherbert*, unofficial wife of the Prince Regent (£8,000 top estimate).

William Lorrimer of Christie's can also offer on Thursday an historical link—a Regency mahogany library armchair used in the odd idle moment by Nelson's Hardy on board HMS Victory. Other interesting properties at Christie's include a pair of green painted tables, with marble tops inlaid with flowers, which look Adam but which are late 19th century, and much cheaper, and a Regency rosewood card table with a modest £4,000 top estimate. One similar, but slightly more decorative table, made £7,000 in November, and if you want to see something identical you must be invited to the music room at Buckingham Palace where there is a pair.

At Sotheby's tomorrow an example of Obadiah Sherratt's "Polito's Menagerie" comes under the hammer in an English ceramics auction. This is the most sought after Staffordshire figure, and it carries an estimate of £6,000-£10,000. The Menagerie was a travelling circus which is known to have visited Wolverhampton, about *30 miles from the Sherratt* workshop, in 1808.

One of the most important collections of scientific instruments to appear at auction for many years also arrives at Sotheby's tomorrow. It was amassed by Arthur Frank, and covers every variety of instrument from the mid-17th century onwards. Among the choicer items are a five inch Newtonian reflecting telescope, on stand, of the early 18th century which could make £4,000, and a mid-18th century George Adams, "New Universal Double Microscope," which carries an £8,000-£12,000 estimate.

Christie's South Kensington is taking its auctions of militaria more seriously, and on Friday offers the collection of military watercolours and prints formed by the late Marquess of Cambridge. Other highlights include an old leather purse (top estimate £200) which is believed to have belonged to Admiral Byng, who was shot on his own quarter deck to "encourage the others," and the painted silk banner of the Order of the Bath which the Duke of Cumberland, Queen Victoria's "wicked uncle," intended for display above his stall in the Henry VII chapel at Westminster Abbey. It carries a modest forecast of £200-£600.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Feb 21-27

Music

LONDON

London Philharmonic Orchestra, Sir Georg Solti conductor: Schubert, Bruckner. Royal Festival Hall (Tue). (9283191).

The Fires of London, conductor Nicholas Cleobury: Maxwell Davies, Philip Grange (new work), Bayan Northcott. Elizabeth Hall (Tue). (9283191).

Royal Philharmonic Orchestra, conductor Michael Tilson Thomas, Ivo Pogorelich, piano: Franck, Mahler. Royal Festival Hall. (Wed). (9283191).

PARIS

Orchestre National de France conducted by Evgeni Svetlanov. Shura Cherkassky, piano: Brahms, Tchaikovsky (Tue). Salle Pleyel. (45610630).

Sviatoslav Richter, piano recital (Wed). Théâtre des Champs Élysées. (47234777).

J.-S. Bach's St John's Passion, La Grande Ecurie and la Chambre du Roy, conducted by Jean-Claude Malgoire with the Nord-pas-de-Calais Choir in Notre-Dame (Tue). Notre-Dame. (47238973).

Orchestre de Paris, conducted by Kurt Sanderling, Augustin Dumay, violin: Moussorgsky, Shostakovitch, Bartók, Schubert (Wed, Thur). Salle Pleyel. (45610630).

VIENNA

Ensemble Maurice Ravel conducted by J. P. Rouchon: Hindemith, Mendelssohn, Charpentier, Palais Clam (Tue).

Bach's St Matthew Passion: Linz Bruckner Orchestra and Consortium Musicum Alte Universität Choir conducted by Martin Sieghart with Ingrid Sieghart, soprano, Anna Gonda, alto, Helmut Wildhaber, tenor, Martin Schuppich, bass. Minoritenkirche (Wed). (5230555).

Liszt's Die Legende von der Heiligen Elisabeth: ORF Symphony Orchestra conducted by Peter Schneider. Konzerthaus (Thur).

BRUSSELS

Bibliotheca Wittockiana: Laurence Mekhitarian, piano and Pascale Mattieu, narrator: "Chopin and George Sand" (Thur). (7711493).

NETHERLANDS

Rotterdam, De Doelen: Arie Keijzer, organ, Gerard Hettema, violin: Bach, Franck, Keijzer (Mon). Recital Hall: Heidi Hendrickx und Levente Kende, pianos: Schubert (Wed). Recital by young Dutch musicians (Thur). (142911).

ITALY

Milan: Teatro alla Scala: Carlo Maria Giulini conducting Cesar Franck and Mussorgsky (Mon). (809126).

Florence: Teatro Comunale: Gustav Kuhn conducting Mozart and Bruckner with Jurij Egorov, piano: (Sun, Tue, Wed, Thur). (2779236).

Naples: Teatro San Carlo: a recital by the baritone Martin Egel accompanied by Marisa Borini (Mon). (418266).

SPAIN

San Sebastian, Orquesta Sinfonica de Euskadi, conducted by Matthias Kuntzsch, will perform programme in homage to 100th anniversary of J. Guridi's death. Teatro Astoria. (Thu). (455506).

Madrid, Teatro Real season: Chamber and polyphonic cycle by Coro Nacional de España conducted by Maximiliano Valdes: Brahms, Liszt (Tue). Orquesta Sinfonica y Coro de Rive: Haydn and Brahms with piano accompaniment by Rolf-Dieter Ahrens (Thu). Plaza de Oriente 4. (2419739).

NEW YORK

Carnegie Hall: Earl Wild, piano recital. "Liszt the Virtuoso" (Wed); Marilyn Horne soprano recital. Mixed programme. (Thur). (2477459).

Kaufmann Hall: Barry Tuckwell horn recital. Mixed programme (Tue); Robert Mann violin and Stephen Hough piano. All-Beethoven programme (Wed). 1395 Lexington Av. 8318603).

WASHINGTON

National Symphony (Concert Hall): Serge Baudo conducting. Phyllis Bryn-Julson soprano. Bizet, Ravel, Franck, (Thur). Kennedy Center (2543776).

CHICAGO

Orchestra Hall: Daniel Barenboim piano recital. All-Beethoven programme (Wed); Chicago Symphony, Leonard Slatkin conducting, Jeffrey Siegel piano. Erb, Schubert-Liszt, Shostakovich (Thur). (4358122).

TOKYO

Tokyo Symphony Orchestra: Concert of contemporary Japanese music, conducted by Koutaro Sato. Concertos for traditional instruments: koto, zither, shakuhachi, bamboo flute, shamisen, 3-string banjo. U-Port Keni Hoken Hall, Gotanda (Thur). (3540101).

Redgrave for Theatr Clwyd, Mold

Vanessa Redgrave and Timothy Dalton will join the Theatr Clwyd Company, Mold from April 17 for a month to play Katherina and Petruchio in *The Taming of the Shrew* and Cleopatra and Antony in *Antony and Cleopatra*.

Both plays will be directed by Toby Robertson, and both will transfer to London under the auspices of Triumph Apollo.

FINANCIAL TIMES

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Monday February 24 1986

The crunch for Marcos

PRESIDENT Ferdinand Marcos of the Philippines is a tough customer. After 20 years in power he was never likely to go quietly. There was, and is, too much at stake for him, for his ambitious wife, Imelda, and for their many relatives and cronies who have amassed fortunes thanks to his patronage over the years.

Even President Marcos must now see that his game is all but up and that his power to govern his people is slipping inexorably from his grasp. He is being deserted by his own supporters. Whatever credibility he had left after the fraudulent presidential elections of February 7 is being quickly dissipated. Even the army, his final refuge and support, is now plainly divided. The ageing autocrat has to step down quickly and gracefully to avoid a bloodbath.

President Marcos should go not just out of a sense of responsibility towards his country but also out of a sense of realism about his own position. Even if he were able to rally enough support among his friends in the army to crush the revolt by General Fidel Ramos, the deputy Chief of Staff, and Mr Juan Ponce Enrile, Defence Minister, it is clear from the events of the weekend that a substantial portion of the country's 250,000-strong armed forces no longer have confidence in their commander-in-chief.

The only way Mr Marcos can challenge this assertion is by asking Filipinos to kill Filipinos and that would be inviting civil war or a pyrrhic victory or both.

Mr Marcos has already lost—even by the government's own tally — the support of just under half the voting population of the Philippines. If one accepts the view of the opposition, of the church and of international observers who were there, Mr Marcos, far from winning the presidential elections was roundly defeated by Mrs Corazon Aquino.

Mr Marcos is also being deserted by his friends abroad—most notably the United States whose interest in the stability of the Philippines is focused primarily on their two substantial military installations there, Clarke air base and Subic Bay naval base. Even President Ronald Reagan, never one lightly to turn his back on an old friend, has been persuaded that President Marcos is now a liability the US can no longer afford.

Finally there is the community of international bankers on whom President Marcos has come to rely to prop up his battered economy. The Philippines owes them $26.3bn (£18.2bn). It is hard to believe that the events of the past month have not altered their perception of where their best interests for the future lie.

What can be done to speed President Marcos on his way? *Mrs Aquino is doing the right thing* by refusing to concede defeat in the elections, keeping up the pressure by calling for a peaceful campaign of civil disobedience, and avoiding any action which might lead to violence. If she comes to office she will want to do so with clean hands.

Internationally, Mr Marcos is completely isolated. Only the Soviet Union has been opportunistic enough to "congratulate" Mr Marcos on his presidential victory. It remains to be seen whether any government will attend his inauguration on Tuesday, assuming he survives that long. It would certainly be inconsistent for any administration which believes his victory to be fraudulent to give it their blessing.

The US has astutely built up the pressure on Mr Marcos without, however, rounding on him totally. Should he now be wavering in his determination to stay, an offer of safe passage to America, a home there and immunity from extradition back to the Philippines could usefully assist Mr Marcos over the brink.

Obvious choice

What would happen after that remains unclear. Mr Arturo Tolentino, the vice-president elect, cannot take over since he is tarred with the same brush as Mr Marcos. Whether Mrs Aquino should take over permanently, if and when Mr Marcos steps down, is also not certain. She remains the obvious choice to succeed Mr Marcos but it may well require a fresh election to establish her claim to the presidency, beyond all doubt.

Although Filipinos must ultimately decide their own fate the role of the US is determining the framework in which they do this remains crucial. What Washington must guard against—using its considerable *influence with the Filipino military* — is a bid for power by ambitious generals. As Mr Stephen Solarz, chairman of the House Subcommittee on Asian Affairs, said yesterday, it would be a tragedy if a civilian dectatorship were now to be replaced by a military one.

Crackdown in South Korea

PRESIDENT Chun Doo Hwan of South Korea and his critics appear set on a collision course, in a manner which has faint echoes of the Philippines. The immediate point at issue is the opposition's call for a constitutional amendment in favour of direct presidential elections when *President Chun steps* down in 1988, as he has repeatedly said he will.

More broadly the issue at the heart of the increasingly fierce debate between government and opposition is whether South Korea should move towards full, participative democracy and, if so, how fast. There are signs that the debate is getting dangerously heated and that both sides are digging in for what could become a nasty battle of wills reminiscent of the upheavals which followed the 1979 assassination of President Park Chung Hee.

Stability in South Korea is of more than just parochial concern. Sandwiched between North Korea and Japan and protected by over 40,000 US troops *it remains a potential battle*ground in the contest between communism and the free world.

Opposition

Over the past few weeks the government has moved, with *characteristic firmness*, to suppress a growing opposition campaign for the revision of the constitution. At present the head of state is elected through an electoral college packed with government supporters. The opposition claims, with some justice, that this will allow President (formerly general) Chun to pick his successor in 1988 and thus perpetuate government by army-backed oligarchy.

The authorities briefly relaxed their grip last Friday when they lifted house arrest orders against 200 leading opposition politicians but Mr Kim Dae Jung, South Korea's leading government opponent remains incarcerated in his home. Police have raided campuses across the country and arrested hundreds of militant students. The opposition New Korea Democratic Party (NKDP) headed by Mr Kim Dae Jung and the almost equally effective Mr Kim Jung Samis consistently harassed.

This clampdown ignores the fact that the opposition is represented by a middle-of-the-road, almost conservative leadership no less anti-communist than all but the toughest hawks in the government.

The two Kims want full democracy by 1987 and having emerged with a strong showing across the country in last year's legislative elections, the NKPD feels it has a mandate to push *for such early and radical* change.

President Chun inevitably takes a different view. He argues that it would be folly to put at risk the stability which has encouraged South Korea's *spectacular economic* strides of the past two decades by hasty reforms. South Korea, he believes, needs evolutionary not revolutionary change and to introduce full-blooded democracy by next year would be tantamount to a revolution. The best President Chun is prepared to offer is a review of the political process in 1989

President Chun seems determined to stand his ground. He believes that he is secure enough to get his way. Since *seizing power in 1980 he has* consolidated his position within the military. Economically there are signs that South Korea may have halted the slide in the rate of growth of its economy

The question now is how far the opposition is prepared to go in pushing for full democracy and what concessions the government is willing to make.

Thet opposition's case for more democracy has popular backing within the country and it is right that the NKPD and its allies should push for that. But it must also avoid playing into the government's hands by provoking the kind of unrest which, in the past, has given the regime an excuse to crack down.

President Chun, on the other hand, must realise that he cannot go on locking up his opponents indefinitely. As South Korea develops economically so it must evolve politically *to keep pace with its rising* aspirations. This means starting a genuine dialogue with the opposition which will eventually lead to a representative government and a directly-elected president. President Chun has *only to look to the Philippines*, 1,500 miles across the East China Sea, to see what happens to leaders who try to stem the tide of change for too long.

MEXICO'S DEBT CRISIS

Now it's up to the creditors

By Robert Graham and David Gardner in Mexico City

MORE in sorrow than in anger, President Miguel de la Madrid of Mexico tol dthe international financial community on Friday night that his country was no longer in a position to service fully its $97bn foreign debt.

This declaration, from the leader of Latin America's second largest debtor, may mark the end of a phase of the four-year-old debt crisis, not just for Mexico, but for the region as a whole.

President de la Madrid has thrown the ball firmly into the court of international banks and governments that are their lenders of last resort. "Now it is the turn of our creditors to make at least an equivalent effort to the sacrifices made by the people of Mexico," he said. "Sacrifices" from the creditors mean, at the very least, that they will receive less interest on the country's debt.

The President's close advisers have gone out of their way to emphasise that Mexico has not made this move lightly. They insist that the President's

The US Government is seen as a key player

speech should not be taken in the same vein as President Allan Garcia of Peru's unilateral move last July, fixing debt service at 10 per cent of export earnings. This was done without any attempt at *negotiation with the banks*. Conscious that this new posture might be interpreted as a switch from negotiation to confrontation, President de la Madrid himself insisted in his nationwide speech on the need to "share responsibility in jointly seeking viable solutions."

Nevertheless, just as Mexico was the catalyst for the original debt crisis in August 1982, the President may well have set the parameters of the next phase in the relationship between banks and Latin America as a whole. This week, the Cartagena Group, comprising the 11 main debtors in Latin America, is due to meet in Punta del Este, Uruguay. On the table for discussion is an Argentine proposal to limit interest payments.

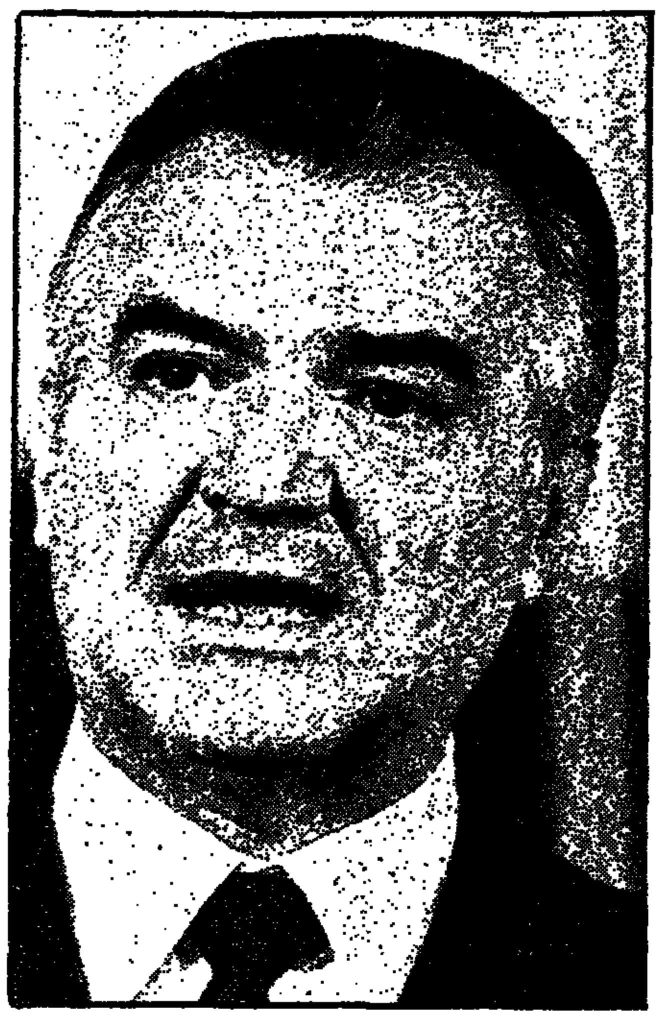
Before the Cartagena meeting, Mr Jesus Silva Herzog, the Mexican Finance Minister, is expected to begin substantive negotiations in Washington and New York on the basis of his country not being able to pay its current obligations, which this year would amount to $11.5bn.

Although President de la Madrid addressed *himself* primarily to the banks, the US Government is seen as a key player in the coming negotiations. Mexico relied heavily on its special relationship with the US during the early part of the debt crisis. Once again the Mexicans are going to look to Washington to smooth the path—both with the US banks, who are the most exposed, and whose regulations are the strictest concerning the accountancy of debts, and with the *International Monetary Fund*. Some sort of US Government bridging finance is also likely to be sought by Mexico, probably this week.

The reception given to Mr Silva Herzog in the US this week and from Mexico's creditors in general is bound to influence the mood of the Punta del Este meeting. Moreover, if President de la Madrid were now to be rebuffed by the international financial community, he risks being overwhelmed by a wave of Mexican nationalism.

The only real surprise in President de la Madrid's announcement was that it took him so long to take the plunge. The gap between Mexico's hard currency earnings from oil and the size of its debt service obligations began to open alarmingly in June last year. That he waited this long underlines his innate conservatism, and a strong element of *indecisiveness in his leadership*, which was mercilessly exposed by his fumbling response to last September's earthquake emergency.

But the delay also reflects a genuine desire to be seen to act responsibly. This was evident in the President's carefully stage-managed announcement and in his quiet but forceful delivery last Friday. For this could easily have been an occasion where he pandered to populism like his predecessor Mr Jose Lopez Portillo who, at the height of the 1982 financial crisis, expropriated the private banks and deliberately sought the acclamation of his people.



President de la Madrid: call for "sacrifices"

In contrast, Mr de la Madrid chose the muted, but unmistakable symbolism of gathering his Cabinet, all 31 state governors, the heads of armed forces, trades union and business leaders in the National Palace. Mexicans can recall no such precedent unless it be the 1917 constitutional assembly which brought Mexico out of revolution into a modern state. Thus the entire corpus of the Mexican state has been lined up four-square behind the new debt policy.

On the purely financial side, Mexico has been relying on oil for three-quarters of its foreign exchange earnings and half its tax revenue. In other words, oil serviced the debt and paid the Government's growing domestic bills. When it was priced at around $27 per barrel, Mexico, the world's fourth largest producer, had earnings of $16bn to $17bn from crude oil and its by-products.

Thet original 1986 budget anticipated a slide in the oil price. Yet it was hoped this could be accommodated by new net borrowing of $4.5bn. However, the collapse of the oil market since January has halved the projected revenue for 1986. According to the President, the Exchequer's current projected loss will be Pesos 3,000bn ($7bn), or the equivalent of 12.5 per cent of the tax take.

In balance of payment terms, Mexico will have $6bn less than expected—and *the oil price is* still falling; as is Mexico's market share. To maintain its market share, the Government announced this weekend that it would switch from March to a daily oil price fixing linked to spot market prices.

The Government concluded that neither borrowing new money at the volume necessary to close its finance gap nor cutting spending to levels to achieve the same end—or even *a combination of both*—could work. Such a conclusion was reached almost certainly several weeks ago and was hinted at by Mr Silva Herzog in London at the end of January. "The limit of our responsibility to our creditors is our responsibility to our people," he said bluntly.

Mexicans at all levels believe enormous sacrifices have been made within the rules set by the banks. Real wages over the past four years have fallen by *nearly half* in a country where only 50 per cent of the 25m workforce is fully employed. The peso is now one-twelfth of its value against the dollar compared with four years ago, speeding the erosion of middle-class confidence in the régime. Public spending cuts, and the removal of many subsidies that have previously cushioned the Mexican poor, have fuelled social tensions already present before the 1982 crisis.

The de la Madrid administration has looked, and felt, increasingly vulnerable without the option of economic growth. Sustained growth has been an essential ingredient in the longevity of the *de facto* one-party system run by the Institutional Revolutionary Party (PRI). Between 1940 and 1981 annual average growth was a remarkable 6.6 per cent. Over-eagerness to return to growth led to a premature expansion of the economy in the first half of last year. Only belatedly did the Government react, in part on IMF prompting, by introducing an even stronger dose of austerity.

President de la Madrid said on *Friday it was* his firm intention to continue with this austerity. Few major changes could be made in the 1986 budget expenditure, but he hinted that subsidies would be further cut, and further trimming carried out on public spending. The privatisation of up to 200 state companies is imminent, remaining restrictions on foreign investment are to be eased, and negotiations for entry into the General Agreement on Tariffs and Trade (Gatt) will be given priority.

In the present circumstances, President de la Madrid believes Mexico can do not more than this. He gives every appearance of being confident this message will be well understood.

The de la Madrid administration has looked increasingly vulnerable

One of the formulas which the banks can expect to be confronted with will call for a reduction in the effective rate of interest that Mexico pays on its debts to not more than 6 per cent. Mexico is currently paying around 10 per cent.

Such a reduction would cut interest payments by around $4bn this year, but would not eliminate the need for fresh funds. It is thought Mexico's debt negotiators may propose that the foregone interest be covered by the issue of a long-term bond, perhaps indexed to the price of oil.

Mexico has put the banks in a new and unfamiliar negotiating position. However, President de la Madrid for his part has tried to ensure the banks are not entering a room with only one exit.

BANKS START TO SEE THEIR WORST FEARS CONFIRMED. . .

IF THERE is one thing bankers involved in developing country debt fear almost as much as outright repudiation, it is that a major borrower such as Mexico could stop paying interest in full, and on time.

For when interest flows are interrupted there is no longer any way of disguising that a loan is in trouble. All major national government authorities recognise this, and in the US, whose banks collectively hold more than $25bn in Mexican debt, a rigid penalty process that eats into profits swings quickly into effect.

Continued payment of interest has thus been a cornerstone of efforts to deal with the debt problem since the crisis broke in 1982. Critics of the banks have often argued that they have been so obsessed with the need to maintain interest payments that they have overlooked longer-term solutions.

Now, however, the bankers have begun to see their worst fears confirmed. As the oil price has plummeted so have hopes of Mexico being able to meet $10bn in interest payments due on its $97bn foreign debt this year. President Miguel de la Madrid may have used opaque language in his speech on Friday night, but he left his listeners in little doubt on what he really meant. Mexico can no longer meet this burden and now it is up to creditors too to make some sacrifices.

Yet there is still a big difference between the situation now and the panic days of August, 1982. Then there was a brutal shock—of the sort that threatens paralysis in the banking market. This time there has been plenty of warning, and banks have had some time to prepare their response.

As the Mexican problem has deepened since the start of the year, the banks have moved swiftly to prop up other debtors. They agreed to sign a rescheduling arrangement with Venezuela, even though this meant foregoing, for now, $1bn in principal repayments for 1985 and 1986. They are well on the way to reaching a debt restructuring agreement with Brazil, even though it has no International Monetary Fund programme. On Friday, Argentina announced a new IMF accord which will allow frozen loan payments from commercial banks to Argentina to resume.

The hope is to isolate Mexico and to present its problems as an emergency largely outside the country's own control. That way a *general intensification of the* debt crisis might just be avoided. Industrial country governments could be called in to help, not to bail out the banks but to rescue a country in trouble because of falling oil prices. Concessions wrought by Mexico could then be presented as a response to a genuine and particular emergency and not as a general shift in the way the debt problem is being handled.

Like President de la Madrid, many bankers now reluctantly concede that adding fresh debt to pay for lost oil revenue may not work; but no one knows exactly what the other options are.

Mr Jesus Silva Herzog, Mexico's Finance Minister, is due in Washington today. The message is that the US Government will be Mexico's first port of call. In other words Mr Herzog apparently no longer regards debt as a mainly banking problem. In the *first instance the solution, if any, lies in* the bilateral relation between Mexico and its northern neighbour. Mexican debt is now a political matter, and the once-proud bankers must simply await their fate.

Peter Montagnon

Men and Matters

Weill wants BankAmerica

Sam Armacost, aged 47, chief executive of BankAmerica Corporation, faces one of the toughest turnaround jobs in US banking as he tries to steer America's second biggest banking group back into the black.

Now he is facing a second problem—someone is after his job.

Sandy Weill, who has made no secret of his wish to run his own show ever since he quit the number two job at American Express last summer, approached BankAmerica a few weeks ago to see if the troubled banking giant wanted a new chief executive. The board considered Weill's offer, turned it down, and has nothing more to say.

So far as BankAmerica is concerned the matter is officially closed. But Wall Street analysts are not so sure. They have been watching unusually heavy trading in the bank's shares which have risen by more than one-fifth in under a fortnight.

Some analysts believe that the bank—which is weighed down with more than $4bn of problem loans, and recently passed its dividend after reporting a $337m loss—has not been completely frank about what Weill had to offer.

"Even Sandy Weill does not just walk in off the street and ask for the top job," says one observer. There is speculation that he offered to make a substantial investment in the group and, in return, wanted to take charge.

Having started as a Wall Street runner in the 1950s, Weill, aged 52, built his own brokerage firm into Shearson Loeb Rhoades, one of the giants. In 1981 he merged it into American Express in a $930m deal.

The approach has also reawakened speculation about the future of Armacost, and Leland Prussia, aged 56, BankAmerica's chairman. The *two have been running the west* coast-based bank since 1981. There is a growing feeling on Wall Street that it may be time for a fresh management team to *try its* hand at reversing the five-year slide of what used to be the biggest bank in the world.

While BankAmerica's board is said to be standing loyally behind Armacost there have been reports of dissension among some of the more junior of the management team. Charles Schwab, who joined the board in 1983, after selling his discount brokerage business to the bank, has been a vocal critic. Last year he tried to buy his business back but the bank

Busman's holiday

Has Rupert Murdoch been attempting to bring a small shaft of sunshine into the lives of his beleaguered Wapping workers?

The coach waiting for them at a City of London rendezvous the other morning — windows shrouded with metal grilles outside and opaque blinds within—hademblazoned down its siües "Algarve."

A holiday destination for siege-weary staff? Or evidence of Murdoch's determination to root out all "old Spanish customs" in his printing plant?

In the air

The traditional game of musical chairs is about to start again at the BBC for one of the three managing directors' jobs. The advertisement for a replacement for Austin Kark, who retires as managing director of the BBC's External Services in the autumn, has appeared in Aerial, the BBC house newspaper, and will appear in the national press *this week*.

Conspiracy theorists are already moving Brian Wenham, director of programmes at BBC Television, or Dick

"It's called a double-dutch auction — the buyer *is* announced before the bidding starts."

Francis, managing director of BBC Radio, into the soon-to-be-vacated chair, with Alasdair Milne, the director-general, retiring early to make way for his deputy, Mike Checkland.

Not so, say the insiders. The External Services job usually goes to somebody who understands the funny little ways of the Foreign and Commonwealth Office, which puts up the money.

This would tend to favour Chris Bell, currently deputy managing director of External Services, or Charles McClelland, *deputy* managing director of BBC Radio, but an old External hand.

Oh—and Alasdair Milne shows no sign of quitting yet.

GM's Price

Bob Price, the senior executive presenting General Motors' case in the Land Rover-Leyland takeover affair, tried to interest *his* company once before in buying a big piece of the British motor industry.

In 1978 he suggested to Sir Michael Edwardes, who had just been drafted in to run BL, that the state-owned group's volume car operations, Austin Morris, and the Land Rover four-wheel-drive business, should merge with Vauxhall, GM's British car subsidiary which Price was running at the time.

The deal would have eliminated the need for GM to build a new car plant in Europe, kept BL's factories running at full speed and, ultimately, have led to a merger of Leyland Truck and Bus with GM's Bedford division.

Sir Michael later recalled in his book "Back from the Brink" that the project, code-named Gemini, was the most *exciting colloborative proposal* put forward during his time with BL. But regrettably the GM board "was not smitten with the imaginative concept."

Bob Price, now executive vice-president of GM's Overseas Group, says. "That's not my recollection."

Both companies, he suggests, went off the boil. "We just drifted apart."

Other half

The sales director of a kitchenware suppliers telephoned his sales manager to ask about progress with a contract for an hotel. The equipment, he was told, was "half sold."

"Half sold?" he exploded. "Selling is like pregnancy. You're either pregnant or not. . . ."

A few days later he received a telex from his sales manager reporting, "pregnancy confirmed." He put it in his pocket and went home. On Monday he returned to work in a fresh suit. His wife found the telex in the pocket of the other suit while collecting it for the cleaners.

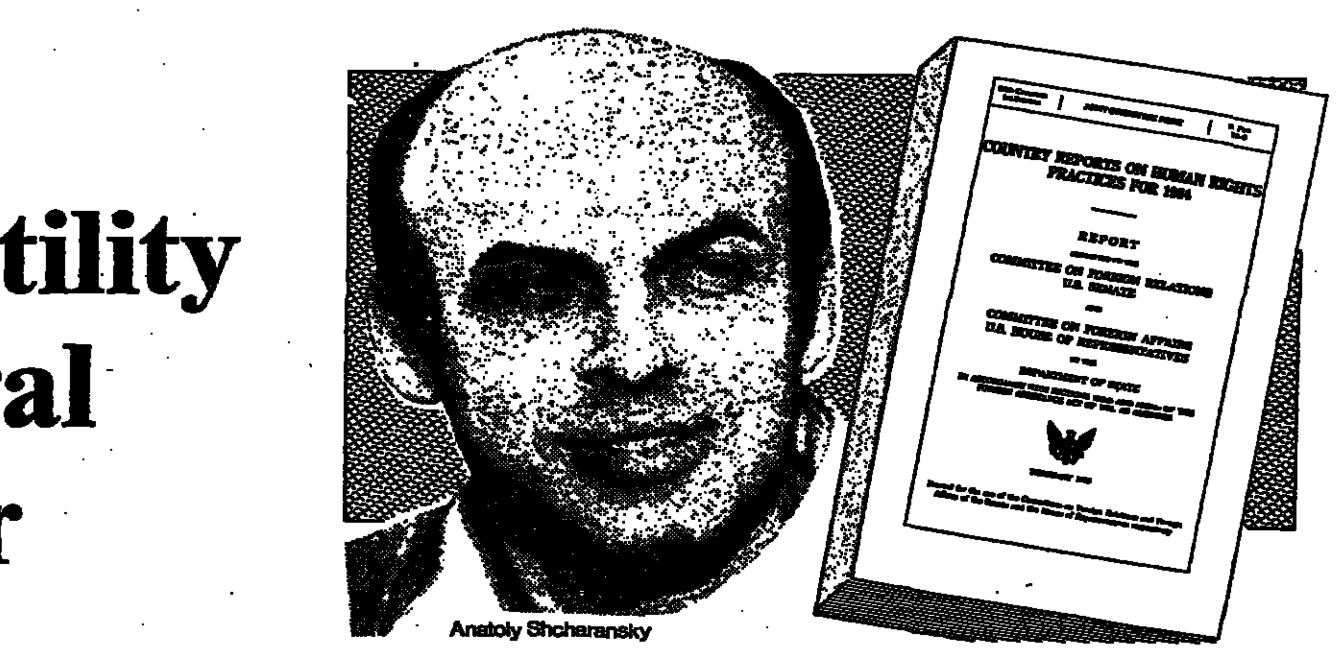
He is still trying to explain and *hopes this impartial* account might help.

Observer

Foreign Affairs: Human rights

The futility of moral fervour

By Ian Davidson


Anatoly Shcharansky

YOU HAVE got to hand it to the Americans: they really churn out the information. Hardly a day goes by but that a buff envelope carrying the latest cablegram from Washington drops into my in-tray.

Last week's cablegrams were carrying extracts from the State Department's 1986 report on human rights. Now the 1985 report was a great thick book of 1,454 pages, covering 165 countries, and the complete text of the new report has yet to reach London. But no one will be surprised to learn that the extracts which were given the top slot on the cable network were those covering the Soviet Union, Afghanistan, Poland, Nicaragua, Cuba and Libya; nor that the judgments expressed in these extracts are uniformly unfavourable.

The State Department report is an annual obligation, dating back to the Carter presidency and the after-glow of the apogee of East-West detente. In 1977, two years after the signature of the Helsinki agreement, which seemed to offer some Western leverage on human rights abuse in the Communist bloc, an amendment was added to the Foreign Assistance Act, requiring the administration to make a report every year on the human rights situation around the world.

The ostensible purpose of the report is to ensure that the US does not give aid to countries which are morally reprehensible —an unimpeachable objective: the US should help the good guys, but not the bad guys. But there are at least two problems. The first is that the book is predictably biased: the basic judgments, and the linguistic nuances in which they are expressed, are much more tolerant towards America's friends and allies than towards its foes.

The other, more serious problem is that any published judgmental tome of this kind exposes the US to two different risks: either it leads the administration to give greater saliency to human rights considerations than is appropriate for a great power, whose foreign policy should be determined by its geo-political interests; or else it opens the door to charges of hypocrisy, when these human rights considerations are disregarded. At all events, the net result is a document in which morality, ideology and politics are inextricably and confusingly intertwined.

Let me give a flavour of the new report dealing with the Soviet Union.

"The USSR is a one-party centralised state in which the leadership of the Communist Party, a self-perpetuating elite assisted by the repressive measures of the secret police, attempts to direct all aspects of public life, to interfere significantly with what in the West would be considered private life, and to prohibit the development of independent centres of political or ideological influence. There was no evidence of change in this pattern of repression in 1985.

"Soviet performance in the realm of human rights fails to meet even the most elementary of accepted international standards.

"There are occasional reports of unusual circumstances surrounding the deaths of people engaged in religious or political dissent, or members of their families. The possibility of official involvement in such deaths, however, can neither be proved nor investigated.

"The government continues to confine political and religious activists to psychiatric hospitals where they are often subjected to painful drugs not in standard use. This treatment is, in reality, a form of torture.

"A reliable, privately compiled list of political prisoners in the USSR . . . contains nearly 900 names. . . . Most observers believe there are as many as 10,000 prisoners of conscience."

Now for some words about Poland:

"The Polish constitution and legal code provide for a wide spectrum of civil and political rights. Other legislation, however, makes it clear that these rights are subordinate to the interests of the state.

"In an important negative development in the human rights area, legislation enacted in 1985 modified the Penal Code to provide, among other things, for the greatly enlarged use of summary courts. These courts are empowered to bring an accused to trial within 48 hours of arrest and to impose prison terms of up to three years for certain criminal and non-criminal offences.

"There is no evidence that the authorities systematically use torture to extract information. However, there have been frequent complaints by human rights groups of the militia or secret police having beaten or mistreated persons in their custody."

By contrast, let's have a look at last year's report on two other countries. First, the Philippines.

"The Filipino people have a long-standing attachment to democratic principles and institutions, fostered by the legacy of the American years.

"In the National Assembly elections held in May 1984, an estimated 80 per cent of eligible voters participated. . . Although marred by some violent incidents and by charges and counter-charges of vote-buying, illegal over-spending, intimidation of voters and poll watchers, and other electoral abuses, the election was regarded by many Filipinos as a relative success by historical standards.

"There continued to be serious human rights violations in 1984. . . There were frequent reports, many of them well-founded, of human rights abuses by government security forces. These included harassment of civilians; arbitrary arrests, detentions and disappearances; instances of torture; unlawful searches and seizures; and summary executions or 'savagings' of suspected insurgents and insurgent sympathisers."

Finally, a word or two about Britain.

"In Great Britain, human rights practices are exemplary, with few, if any, demonstrated or alleged abuses by the government or opposition. In Northern Ireland, however, human rights traditions have been put to the test.

"It is not official policy in Britain to practise deliberately cruel, inhuman or degrading treatment or punishment of prisoners. The government acknowledges, however, that some old British prisons are unsatisfactory and over-crowded and many prisoners live in cramped, unhygienic cells. The government is building new prisons. . .

"In questioning arrested persons, police are expected to comply with the Judges' Rules and Administrative Directions to the Police. . . . Persons wishing to make complaints about police conduct may obtain a leaflet at any police station explaining how to file a complaint."

It would be easy to poke fun at the selective political bias which manifestly informs the judgmental posture of the State Department's report: lavish, extravagant praise for a close European ally, world-weary head-shaking at the misbehaviour of a Third World dependency, unconditional condemnation of the superpower adversary.

A blind impartiality might have taken a more severe view of the situation in the Philippines—were it not for the strategic importance of the American military bases. It might even have drawn attention to some of the less comfortable discrepancies between theory and practice even in this sceptred isle.

This may appear to be mere nit-picking. That human rights are far more respected in Britain and other Western democracies than in the Soviet Union, both as policy and as practice, is as plain as a pikestaff; so plain, in fact, and so embarrassing, that the Soviet Union has regularly felt the defensive need to make counter-attacks, by reviling unemployment in the West. But there remains a serious question: are America's foreign policy interests really served by publishing an annual indictment of the moral short-comings of other countries?

There may be a case for a factual survey, simply in the interests of public knowledge. But since repression goes hand in hand with secrecy and censorship, the State Department's most serious allegations (against the Soviet Union) are necessarily based on fragmentary information and unconfirmed reports. This does not make the allegations untrue; they may well be as close to the truth, both in general and in particular, as anyone in the West can get. But there is no denying that the factual information is presented in terms vibrant with moral condemnation, and the moral condemnation is most vibrant where it coincides with political hostility.

In the latest issue of Foreign Affairs, George Kennan, one of the most respected of American elder statesmen, has roundly attacked America's tendency to confuse morality with foreign policy. "Government is an agent, not a principle. Its primary obligation is to the interests of the national society it represents, not to the moral impulses that individual elements of that society may experience.

"To say these things, I know, is to invite the question: how about the Helsinki accords of 1975? There is no disposition here to question the value of many of the mass refinements of the norms of international discourse. But . . . the Western statesmen who pressed for Soviet adherence to pronouncements (on human rights) must have been aware that some of them could not be implemented on the Soviet side . . . without fundamental changes in the Soviet system of power—changes we had no reason to expect would, or could, be introduced by the men then in power."

Perhaps Kennan overstates his case: even as agents, democratic governments have some duty to reflect the values of their electorates. But his rebuke is relevant and timely. In the 1970s, exaggerated hopes were placed on detente and the Helsinki agreements; there was no sound reason to expect that other governments would conform to Western moral and political values, but when they failed to do so, disillusionment gave way to rage.

Today there is, once more, some prospect of major arms agreements between East and West; but the danger is that cool calculation of what would serve Western interests may, once more, be thrown out of kilter by fervent but unrealistic demands on the human rights front. Ronald Reagan was able to secure the release of one dissident prisoner, Anatoly Shcharansky — because it suited the diplomatic objectives of Mikhail Gorbachev; the State Department cannot change the Soviet system by shouting about its wickedness.

Lombard

Ronald Reagan's wonderful luck

By Samuel Brittan

THERE ARE certain screen characters who seem to have all the luck, even if they never burn midnight oil learning their scripts in the way that Margaret Thatcher expects of herself and her ministers.

Critics of President Reagan's budget deficits — whether on Wall Street or overseas — supposed that Nemesis would come when the absurdly high dollar began to crash.

They had a point. A large fall in the dollar was indeed a necessary, although not a *sufficient*, condition for a turnround in the US trade and current account deficits.

The great risk was that, just as the rise in the dollar had played a major — if unacknowledged — part in reducing US inflation, a very quick fall in the dollar would boost inflation and inflationary expectations. Once this happened it would be difficult to bring inflation down again without a major recession.

It was for such reasons that Paul Volcker, who in the early 1980s believed that a reasonable range for the dollar was between DM 1.7 and DM 2.1, was extremely reluctant to see the dollar move more than a fraction of the way back to this range within any year or 18-month period.

In fact, the dollar has moved most of the way back much faster than Fed expected. At its peak in the spring of 1985, the dollar was fluctuating in the range of DM 3.40 to DM 3.50. A more reasonable bench-mark recommended by Stephen Marris of the Washington Institute for International Economics, is the average of the final quarter of 1984 and the first quarter of 1985. This gives something around DM 320. But from either bench-mark, a fall to the present range of just over DM 2.3 represents a shift most of the way back to the Fed chairman's preferred range all those years back.

Even against a basket of currencies, including some highly inflationary ones, the dollar has fallen by about 20 to 25 per cent depending on the bench-mark used.

The luck that has saved President Reagan from an escalation of inflation has, of course, been the plunge in the oil price.

To take one illustration. Kemper Financial Services' widely respected Forecast would have predicted, without the oil price plunge, a rise in US inflation (measured by consumer prices), from 3.5 per cent in 1985 to 4 or 5 per cent in 1986, rising to 6 per cent as the year comes to an end. Now KFS expects a slight fall in the inflation rate despite the behaviour of the dollar.

But the favourable effects do not finish with the US inflation rate. Stephen Marris's great fear was that a correction of the US overseas deficit, brought about only through a fall in the dollar and a cut in the budget deficit, would require an even more dramatic depreciation in the dollar than we have seen. This would, he believed, trigger a world recession.

The consensus recommendation for avoiding this was, of course, a relaxation in fiscal policy in the stronger countries, which Japan and Germany refused to undertake.

Now, however, a net boost to world demand is likely to occur without this fiscal red ink. It will be due, of course, to a fall in oil prices which is equivalent to a major tax cut throughout the OECD area and an increase in the real value of money balances.

In addition, now that the main central banks feel that the dollar correction has gone far enough, there will be a greater readiness on the part of the Japanese and German central banks, and the other central banks that follow in their wake, to lower interest rates. This is a form of stimulus which is much less abhorrent to believers in the "old time *religion*" than budget deficits.

Of course, not everything in the garden is lovely, as the case of oil-producing developing countries such as Mexico, illustrates. But why not for a change rejoice that America has had some luck, not at the expense of, but together with, her major industrial allies?

Letters to the Editor

Share prices are too high

From Mr N. J. E. Young.

Sir,—A stock market collapse is a matter only of time. Propped up by bid mania, and powered by money brought in through massive insurance and unit trust promotional schemes of bonds and pensions sold through agents to an often uninformed investing public, the market is fraught with danger.

It is nonsense to present this market as not being dear on industrial and consumer product p/e ratios of 15, in isolation from other investment criteria such as interest rate returns of 14 per cent, and with a total disregard for the downturn in profits foreseen in boardrooms, but not in the dining rooms of City economists or the investment meetings of institutional managers.

Today's investment analyst sees it as his duty (or so it would appear) to rationalise his eternal optimism, ably abetted by City columnists who see it as their job to promote stock market joy. A classic example has occurred in recent weeks.

The 1 per cent hike in base rates last month with sterling falling below $1.40 and oil prices to below $20, was widely stated by economists and analysts alike as markedly bearish for shares. Moreover, there was unanimity that a further rise of interest rates was inevitable, and that there would be no money left for tax cuts. In the event share prices surged to new highs.

Unashamedly these same experts have since stood their own arguments on their heads and told us that actually lower oil prices are good for shares (never mind that the country will be poorer for loss of oil revenue in the long run), that a lower pound is good for shares (never mind the adverse effects on inflation) and that after all, there was actually going to be some money available for tax cuts (since denied by the Government).

Are today's analysts and journalists totally unaware that the same bland optimism and juggling with facts prevailed ahead of the Wall Street crash, the comparatively recent 72 per cent drop in share values in 1972-74, and most other major bear markets since the war? If so, it is time they researched their archives and re-calculated their sums. Present share prices are on the verge of lunacy, with with a massive injection of artificiality in values derived from bids at almost any cost by predator companies as many shareholders will discover in due course.

No matter what the current weight of money, fundamental values will, in the end dictate share prices. It is the investor (usually the small one) who will then lose out: not the analysts, the journalists, the brokers or the life insurance companies.

Neville Young.
19 Hynesbury Road,
Christchurch, Dorset.

Why Bell's backs DCL merger

From the joint managing director, Arthur Bell

Sir,—The letter (February 21) regarding activities at Bell's since the Guinness acquisition last August and the proposals for a DCL/Guinness merger contained a number of inaccurate statements. The broad statement that Guinness has not honoured commitments made to us during the bid is incorrect. The notion that a Guinness/DCL merger acts against our interests in any way is misleading.

During the contested takeover this past summer Guinness made three commitments to us:

● That there would be no redundancies. There have been none.

● That a significant market research effort would be undertaken to identify operating and brand opportunities. That effort is currently under way and has already made significant progress toward the achievement of objectives we set for ourselves in this area.

● That there would be development of other premium brands. That project is also well under way.

Prior to the takeover by Guinness consideration was being given to withdrawing support to The Real Mackenzie brand. If placed in the new competitive entity to be sold by Guinness/DCL, The Real Mackenzie will not be in the shadow of a dominant brand such as Bell's Extra Special and has the potential to gain significant market share.

As The Real Mackenzie brand represents only 4 per cent of our volume this is not significant in the context of the development of Bell's brand. There would be no impact on employment in production or sales when the brand is acquired by the new company.

The logic supporting the Guinness acquisition of Bell's was that the Guinness marketing skills would allow us to exploit opportunities in export markets to the fullest extent. A Guinness/DCL merger can hasten this development considerably and thus result in further improvements in sales and hence employment for Bell's.

D. A. H. Harley.
Cherrybank, Perth,
Scotland.

Hordern colliery closure

From Mr A. Pratt

Sir,—The decision of the Review Tribunal to condone the Coal Board's proposed closure of Horden Colliery in Durham is a blow to the coal industry as a whole. It is an even bigger blow for the people of Horden. The closure of the colliery will effectively rip the industrial base from the community, pushing up already serious unemployment levels to 25 per cent in a matter of years.

The decision also throws doubt on the "independence" of the tribunal, and indeed of the suitability of Establishment-appointed arbitrators to decide on matters which have such devastating social consequences for the people involved. Particularly when such arbitrators' terms of reference seem to be primarily economic. Furthermore, as a report compiled by a research unit at Durham University clearly illustrates, such a decision only makes "economic" sense insofar as it involves balancing the NCB's books. For the people of the county as a whole, it is a financial disaster.

What the report "Mismanaging Horden" also leaves open to doubt is whether or not the present losses at Horden are the direct result of deliberately poor management decisions. Even more disturbing, a recent roof fall at Horden's most productive face raised serious questions about possible sabotage. Such allegations demand answers from the NCB management.

Among all these doubts, however, three things are certain. Firstly, the present Government's energy policy is leading us further along the road towards nuclear power, and dependence on presently cheap foreign coal supplies. Presently is the operative word: oil was cheap, too, until 1974. Secondly, the NUM leaderships' call for strike action to protect mines against closure has been shown to be completely justified. In under a year, 24 pits have been closed, with the loss of 35,000 jobs. Given the new hard-line attitude of the NCB management, this is likely to be only the beginning.

Finally, the present actions of the NCB and the Government place on us all a responsibility to support the NUM in its struggle to prevent the further decimation of the coal industry by the present "butchers" in control.

In this respect, we may avoid our responsibilities. We cannot escape the consequences.

Andrew Pratt.
Department of Law,
University of Durham

Teachers' pay package

From Mr R. A. Davies.

Sir,—As a mathematics teacher, with a first class honours degree, may I provide an analysis of Sir Keith Joseph's £1.25bn four-year pay/conditions package?

In the coming year, £200m would be made available. As this would not be withdrawn in the subsequent three years, it comprises £800m of the deal. The balance of the offer (£450m) consists of smaller payments in years two, three and four, similarly grossed up.

The Secretary of State has himself confirmed that the offer is worth an increase of 9 per cent over these four years on top of "normal settlements." In such a period, my pay would usually drop twice this amount, compared with my neighbours, the parents of those whom I teach, and my former pupils. The proposal is simply an invitation to grow poorer more slowly.

Mr Coombs (February 15) will be pleased to learn that teachers are quitting the profession, though Gresham's Law seems to apply and it is usually the most vital who go. They report that in industry and commerce they do not work more, longer, or more stressful days.

The retreat from Houghton salary levels (set in 1974) saves £1.5bn in public expenditure each year. Teachers heading substantial departments after two or three promotions earn less than was thought appropriate for those who were never promoted.

In the nation's educational service there is a crisis — compounded of pay, resources, esteem and purpose — which is deeper and more enduring than your correspondents may believe. It is not of the teachers' making.

R. A. Davies.
153 Kenilworth Rd,
Southport, Merseyside

FINANCIAL TIMES
Monday February 24 1986

Terry Byland on Wall Street

Running nicely on cheap oil

BY THE END of last week the stock market was back on its most optimistic form, brushing aside doubtful economic news such as the substantial downgrading of official fourth-quarter GNP estimates or the dip in US personal incomes in January.

Wall Street is no longer interested in bearing how US business was faring last year, or even last week. Slumping oil prices have been translated into tumbling bond yields and the stock market is looking six months or a year down the road when corporate profits can be expected to show the benefits.

The stock market, despite its general euphoria, has shown some selectivity in appraising those stocks whose fortunes are closely dependent on US wage packets.

The Detroit motor stocks, which had begun to look threateningly fragile at the turn of the year, have returned to favour. On several occasions in the past fortnight the Dow averages have been driven ahead by stellar performances from the car stocks.

The linkage of lower oil prices and potentially lower interest rates can do nothing but good for Detroit. Both will spur customer demand ahead at a time when analysts were beginning to suggest the cycle was peaking. In addition, manufacturing costs will benefit from lower prices for oil-based plastics, now widely used in the industry.

Mr Scott Merlis at Morgan Stanley has reassessed the sales outlook for the industry in the light of the slide in oil prices. He expects 1987 sales to stay close to last year's total of 11m cars, a significant upgrading from his previous forecast of a 7 per cent fall. Sales will continue to push ahead next year, he believes, and the cyclical slowdown will be postponed until 1988. For the near term at least, the US manufacturers are likely to increase their percentage of total sales.

This translates into a substantial rewrite of profit forecasts for the big three. For this year, Mr Merlis expects Chrysler to return earnings of $11.50 a share, 18 per cent down but much better than the $10.65 previously forecast. Similarly, Ford is expected to turn in $12.25 from $13.63 in 1985. General Motors could return $10 a share, against last year's $12.28.

It is profits of this scale which have kept the motor stocks at the head on market upsurge. However, the same does not apply to the retail stores, which have yet to respond to the general argument that lower oil prices will put more money into the pockets of US consumers.

The department store issues, in particular, have trailed the market and even failed to hold onto their own recent peaks. The retail sector is still prisoner to a disappointing 1985 which took in both an unexciting Christmas season and, it is believed, a difficult January as the stores held their clearance sales.

While there is general agreement that the improved economic outlook in the US must improve the outlook for retail profits by the end of the year, Wall Street is slow to change its views of the stocks involved.

At best, analysts are prepared to adjust their opinions from negative to neutral. As the proposed buyout of Macy's indicates, the conventional department stores are seen as slightly ponderous; a little old fashioned in modern retailing.

At the same time, stock prices at 12 times earnings in the case of Penney, or 13 times for May department stores, are regarded as generous enough until the money actually starts rolling in.

Sears, Roebuck, described as a "concept" stock by Mr William Smith of Smith Barney, has yet to convince investors of the potential of its financial services side. Half the profits still come from merchandising, which carried much of the blame for the 17 per cent drop in 1985 profits.

So any oil-price boost to consumer spending would have to lift Sears' profits significantly before the stockholders have much to shout about.

There is one very weak spot in the retail pattern, according to Mr Walter Loeb at Morgan Stanley. Texas, where Dayton Hudson, Home Depot, Jack Eckerd, Dillard, Allied, Federated Department Stores and Tandy, the home computer retailer, are all exposed, is suffering badly from the oil price slump. According to the Texas Retail Trade Association, retail sales in the state dipped 0.11 per cent in 1985.

If retail stocks can be hurt by misfortunes in Texas then Wall Street may be correct in taking a cautious view of stores with operations in the battered mid-west farm and industrial belt. Perhaps investors are safer to stay away from the retailers until the promised benefits of the oil slump begin to show up in the cash registers of the retail stores.

Nigeria likely to begin $7bn rescheduling talks

BY PATTIE WALDMEIER IN LAGOS

NIGERIA is expected to begin talks soon with its commercial bank creditors on rescheduling $7bn in medium and long-term debt.

The move, which follows last month's budget announcement that debt servicing in 1986 would be limited to no more than 30 per cent of export earnings, has taken on added urgency in view of the recent dramatic slump in oil prices which saw spot market prices in New York fall below $15 per barrel.

President Ibrahim Babangida's 1986 budget forecast oil revenues at $8bn, but senior officials have since been working to revise revenue and expenditure projections. It is estimated that every $1 per barrel fall in crude oil prices cuts $400m off Nigeria's foreign exchange receipts from oil exports, and one authoritative forecast has suggested that the expected sustained drop in oil prices could depress 1986 earnings to only $6bn.

The influential presidential advisory committee, a top economic policy-making body, met last week to review budget targets in view of the sharply lower revenues now being realised from crude oil sales, which account for 97 per cent of export earnings.

Issuance of 1986 import licences has been suspended while the review process is under way. It is understood that only import licences which are funded with foreign exchange held abroad (a fraction of the total) will continue to be issued.

Even before last month's collapse in crude oil prices bankers and diplomats in Lagos had calculated that rescheduling of some $12bn in medium and long-term debt to the so-called London Club (commercial bank creditors) and Paris Club (Western governments) would need to be rescheduled if Nigeria was to avoid a default on debt servicing commitments of $4.4bn this year.

The estimated minimum level of merchandise imports required to avoid a further painful contraction of the Nigerian economy would be $7bn.

Nigerian officials say they expect to meet commercial bank creditors in London "very soon" to begin rescheduling talks, although it is understood that no bank steering committee has yet been formed. Nigeria's US bank creditors are thought to be somewhat reluctant to see talks begin now and it is not clear whether they will attend.

Nigeria's reluctance to seek agreement with the International Monetary Fund (IMF) on an economic adjustment programme has been seen as a major obstacle to rescheduling of medium and long term debt, both official and commercial.

It is clear that Paris Club governments are continuing to make an accommodation with the IMF an essential precondition to talks. This is understood to have been the message delivered to senior Nigerian debt negotiators during their recent visits to London, Washington and Paris.

However, senior Nigerian officials stress that the London Club creditors have made no such conditions to what they apparently consider is a preliminary negotiating round. But it is not certain that final agreement would be reached on rescheduling before Nigeria meets its budget commitment to adopt a "realistic" exchange rate. Since the budget the Nigerian currency, the naira, has been held at par with the US dollar although it trades at only one-fifth that value on the black market.

Agreement with the commercial banks alone would not be enough to see Nigeria through its current debt crisis, although it would bring substantial relief.

An accord would reduce this year's debt service payments by some US$1.8bn.

Iran presses Opec, Page 3; Survey, Section III

Hanson Trust may launch bid for Union Carbide battery unit

BY WILLIAM HALL IN NEW YORK

HANSON TRUST, the UK industrial holding company, is discussing the possible takeover of Union Carbide's battery products division, the world's biggest consumer battery producer.

Hanson Trust is one of several companies expressing interest in the US group's battery operations, which have an estimated turnover of more than $1bn a year. However, Hanson Trust's interest is stronger than most because Union Carbide's battery operations would fit in well with those of its British Eveready battery operation, which is the UK market leader.

Wall Street sources say Carbide is asking for close to $1bn for its battery operations, which include such famous brands as Eveready and Energiser batteries. Union Carbide's batteries are estimated to account for around 25 per cent of the $4bn a year global consumer battery market.

Union Carbide announced early last month that it wanted to sell its consumer products businesses, of which batteries are the biggest and most profitable segment, as part of a plan to defeat an unwelcome takeover bid from Mr Saul Heyman's GAF Corporation.

Union Carbide had originally been hoping to sell its entire consumer products division, which includes famous brand names like Glad Wrap, Simoniz Wax and STP auto products, to a single buyer. But in recent weeks the company has been discussing the sale of individual companies in the division. In 1984 Union Carbide's consumer products operations reported operating profits of $226m on sales of $1.9bn.

The group does not disclose figures on the size of its battery products business, but Mr Leonard Bogner, an analyst with First Manhattan, a New York broker, estimates that batteries produced $1.2bn of sales in 1984 and operating profits of $146m on assets of $949m. He estimates that by 1987 battery sales will have risen to $1.5bn and operating profits to $190m.

Batteries are one of the largest and most profitable categories of disposable consumer products. The average US household owns more than nine battery-operated devices ranging from flashlights to calculators and tape recorders, and US consumers alone are believed to spend more than $2bn a year on batteries.

Over the last five years the US battery market has been growing quickly, and although the growth is expected to slow in coming years, the growing use of battery-powered portable telephones and pocket-size television sets will expand a market which continues to be dominated by flashlight battery sales.

British Eveready was acquired by Hanson Trust for $95m in 1981. Hanson has reversed the company's decline and invested heavily in the famous brand name.

After a late start, the company has moved into the high-performance alkaline battery market with the introduction of its Gold Seal battery in the autumn of 1983.

Swedish bearings make Japanese breakthrough

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SKF of Sweden, the world's largest bearing manufacturer, has succeeded in breaking into the Japanese market for automotive bearings, hitherto an exclusive preserve of domestic manufacturers.

SKF said yesterday that it had reached agreement to form a 50/50 joint venture with Koyo Seiko, one of Japan's leading bearing manufacturers, to produce and sell in Japan automotive components developed by SKF.

The main shareholder in Koyo, with a stake of around 20 per cent, is Toyota, Japan's largest car manufacturer, which controls nearly 40 per cent of the domestic market.

The jointly owned SKF/Koyo company will be established next month and will be located in Tokyo. Mr Mauritz Sahlin, SKF chief executive, will be chairman of the venture, and the managing director will be Mr Toshio Morita of Koyo.

The new company will not own manufacturing facilities but will operate on the basis of subcontracting the manufacture and sales of specific products. SKF itself will continue to market standard bearings in Japan, where it has only a tiny share of the market.

As a first step the new venture is to be given the rights in Japan to manufacture clutch bearing units for manual gearboxes and free wheel mechanisms for automatic gearboxes.

The manufacturing and sales rights for these products in Far East markets, including Japan and Australasia, have been sub-contracted to Koyo.

SKF has retained marketing rights for the rest of the world, except where the products are made locally in Japan.

SKF said yesterday that the agreement would introduce its products for the first time to the Japanese automotive industry, which previously had been served exclusively by Japanese bearings manufacturers.

It was intended that the joint venture would gradually be expanded in order to give Koyo increased access to "certain technically-advanced SKF automotive products," and to give SKF "a significant presence in the Japanese automotive component industry."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	F	13	55	Malta	F	15	59	Rhodes	F	15	59
Algiers	S	21	70	Edinburgh	C	0	32	Manchester	F	0	32	Rio de J'o	S	35	95
Amsterdam	F	-2	28	Faro	F	14	57	Manila	—	—	—	Rome	C	13	55
Athens	F	15	59	Florence	Fg	5	41	Melbourne	F	18	64	Salzburg	C	-4	25
Bahrain	S	22	72	Frankfurt	S	-4	25	Mexico City	C	22	72	San Francisco	F	20	68
Bangkok	S	32	90	Funchal	S	19	66	Miami	C	26	79	Seoul	S	1	34
Barcelona	F	21	70	Geneva	F	4	39	Milan	C	5	41	Singapore	S	32	90
Beirut	S	21	70	Gibraltar	S	19	66	Montreal	C	2	36	Stockholm	S	-8	17
Belfast	F	2	36	Glasgow	S	0	32	Moscow	C	-11	14	Strasbourg	C	-4	25
Belgrade	C	6	43	Guernsey	C	0	32	Munich	Sn	-7	19	Sydney	C	21	70
Berlin	S	-8	18	Helsinki	Sn	-13	9	Nairobi	F	29	84	Taipei	C	15	59
Biarritz	C	18	64	H. Kong	C	16	61	Naples	C	14	57	Tangier	F	15	59
Bombay	S	29	84	Innsbruck	Sn	-2	28	Nassau	S	26	79	Tel Aviv	F	18	64
Bordeaux	C	11	52	Inverness	F	1	34	New Delhi	S	22	72	Tenerife	F	22	72
Brussels	S	-2	28	Islamabad	S	21	70	New York	S	5	39	Tokyo	F	11	52
Budapest	F	0	32	Istanbul	R	12	54	Nice	S	14	57	Toronto	C	-5	23
B. Aires	S	32	90	Jakarta	C	31	88	Nicosia	C	19	66	Tunis	F	20	68
Cairo	S	25	77	Jersey	C	-1	30	Oporto	R	14	57	Valencia	—	—	—
Cape Town	F	22	72	Jo'burg	R	28	82	Oslo	C	-7	19	Venice	S	7	45
Caracas	C	26	79	Lima	S	26	79	Paris	C	-1	30	Vienna	S	-2	28
Casablanca	S	18	64	Lisbon	C	17	63	Peking	F	9	48	Warsaw	S	-6	21
Chicago	C	0	32	London	Sn	1	34	Prague	S	-8	18	Washington	C	1	34
Cologne	S	-2	28	Los Angeles	S	28	82	Reykjavik	C	-1	34	Zurich	Sn	-4	25
Copenhagen	S	-5	23	Luxembourg	S	-3	27								
Corfu	S	16	61	Madrid	C	11	52								
Dallas	F	3	37	Majorca	S	16	61								
Dublin	S	3	37	Malaga	S	21	70								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair H–Hail Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Reagan replies to Gorbachev missile plan

Continued from Page 1

an agreement on cutting their own strategic nuclear weapons.

Though the US has taken into account the fears expressed by China and Japan about the consequences of leaving Soviet SS 20s in place in Asia, not all the European reservations about the original US plan seem to have been satisfied in President Reagan's latest proposals.

One of the ironies of the arms control debate between the US and its European allies has been that some of the countries who were most reluctant to accept cruise and Pershing missiles on their national territory such as the Netherlands, are now having second thoughts.

There is a growing body of opinion among European members of the alliance that the complete elimination of medium-range missiles from Europe would leave a dangerous gap in their defence armoury and make them more vulnerable to the overwhelming superiority of the Warsaw Pact in conventional forces.

Rescue plan for tin market

Continued from Page 1

Agreement on how that total is to be shared between governments, banks and brokers has so far been elusive. Precise financial details of the latest proposals were not available yesterday, but it is thought that they call for greater contributions from the governments and the banks than they have so far been prepared to contemplate.

In particular, it is understood that the UK, which has campaigned for a solution in order to preserve the LME, would be expected to put up more funds than the £25m in cash and £25m in loan guarantees it has offered as a unilateral contribution. The other ITC governments might also have to raise their share above the £100m they have already agreed to provide.

Mexico set to seek cut in debt interest

By Robert Graham and David Gardner in Mexico City

MEXICO is expected to ask its international creditors this week to accept a cut in interest payments on the country's $97bn foreign debt.

Mr Jesus Silva Herzog, the Mexican Finance Minister, is due to arrive today in the US where he is expected to see representatives of the Reagan Administration in Washington and bankers in New York.

Mexican officials have declined to give any details other than the fact that Mr Herzog is under instructions from President Miguel de la Madrid to proceed on the basis that Mexico can no longer fully service its debt as a result of the oil price collapse.

This position was formally announced by President de la Madrid on Friday night in an unprecedented nation-wide broadcast in the presence of the Cabinet and all 31 state governors.

"The net effect of lost oil revenue on the 1986 balance of payments cannot be compensated solely through the influx of new money," he said. "This would push us into an interminable vicious circle. Therefore a solution also requires sacrifices on the part of our international creditors who have been jointly responsible for the process of indebtedness."

He laid down four basic criteria for the negotiations:

● Mexico's debt service burden must be realigned to its real capacity to pay;

● Efficient and cheaper financing mechanisms must be put in place;

● Markets must be open more freely to Mexican exports to stimulate growth and therefore the country's capacity to pay;

● An improvement in the general level of international economic co-operation must be forthcoming.

President de la Madrid has thus also addressed himself to the governments of the industrialised nations and the US in particular. The latter is now being relied upon to play a key part in the forthcoming negotiations.

Details of the change in Mexican policy on debt have been kept secret. But Mexico's major creditors are understood to have been kept well informed in an attempt to limit the fall-out from this radical shift.

Mexico none the less recognises that its policy is bound to have an impact on the meeting of the Cartagena group, comprising Latin America's 11 main debtors, due to begin on Thursday in Punta del Este, Uruguay. Argentina has already proposed that the meeting seek a sharp cut in international interest rates.

Mexico's preferred option is that the banks cut the effective rate of interest it pays to not more than 6 per cent. Such a cut would not fully cover the finance gap this year caused by a projected $6bn shortfall in oil revenues.

Thus, some sort of bridging finance is likely to be sought from the US Government. Mexico is also expected to seek a further postponement of the principal repayment of $950m due next month.

Oil price fixing, Page 3; Back to the bankers, Page 12

US prepares 'delicate' fibre talks strategy

By Nancy Dunne in Washington

ASIAN TEXTILE exporters are bracing themselves for a renewed onslaught from protectionist lobbies in the US following the news that Washington has asked Hong Kong for early renegotiation of bilateral agreements on textile exports to America.

The move by the Reagan Administration to open agreements not due to expire for almost two years was described as "explosive" by a trade official at the South Korean embassy in Washington.

Concern in Asia about protectionism was fuelled by the news that Mr Charles Carlisle, the chief US textile negotiator, who last week promised to "balance the interests of textile producers and importers" and "respond to the challenges and surges," is to visit South Korea, China, Thailand and Taiwan.

News of the US request to Hong Kong for renegotiation came from Mr Eric Ho, the territory's Trade and Industry Secretary, who is visiting the US. He said the proposal had been put to him by Mr Carlisle.

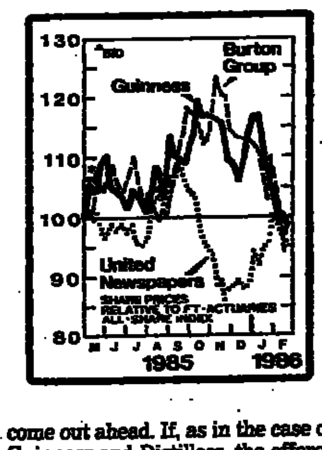
Diplomats in Hong Kong said that such a request was unlikely to have been made to the Crown Colony alone and that other major textile exporters to the US should expect similar approaches.

A number of Asian garment manufacturers interpreted the latest US moves as a "divide and rule" ploy ahead of the multi-fibre arrangement (MFA) negotiations

THE LEX COLUMN

Buy now while stocks last

All have won and all shall have prizes, said the Dodo at the end of the Caucus race in Alice in Wonderland. The same, it seems, goes for the takeover race in the City of London. Bidders see their share prices rise when they make an offer, shareholders in target companies realise an instant capital gain and any number of financial intermediaries collect handsome fees for their services. Newspapers, which fill their pages with takeover advertising, are happy spectators and institutions do best of all, winning one prize in their capacity as underwriters and another when they cash in their shares.



It may be that everyone will still be smiling a year from now. If the managements of the acquiring companies do indeed work the magic promised in a thousand offer documents and full-page advertisements, the performance of the enlarged groups will vindicate the premiums paid and costs incurred. Similar promises have been made in earlier periods of high takeover activity, and there is not much evidence to support the idea that shareholders have benefited. Share price underperformance on the part of the offeror company has tended over a period to compensate for the short-term outperformance of the target.

Last year, for example, Burton Group, United Newspapers and Guinness all completed takeovers financed to a substantial extent with paper. All suggested that earnings per share would over time be enhanced by the transaction. Yet the share price of each company has underperformed the All-Share Index in the period since the offer was first announced. What distinguishes the latest outbreak of offeritis is the opportunity for – and onus on – management to push through a takeover at a very full price. This is, in part, a matter of plain accounting. If an offer succeeds, the costs can be written off against the assets of the acquired company, which may themselves be revalued to disguise even the balance sheet impact. If, however, the same offer lapses, those costs must be borne as an extraordinary item on the revenue account, which is altogether more conspicuous.

The higher costs – and just at the moment they are very high indeed – the greater the incentive to succeed. The costs of an unsuccessful offer can admittedly be offset by any capital profit realised by the loser when it accepts the winning bid. But, while this may be satisfactory in accounting terms, it is hardly sound arithmetic for everyone to come out ahead. If, as in the case of Guinness and Distillers, the offeror is spared the costs of the offer, there is less need than ever to justify a bid to shareholders.

Stockbrokers and merchant banks also have a clear interest in their client's offer being declared unconditional. Fees charged by financial advisors are to a growing extent performance related. When a merchant bank receives a fee calculated as a percentage of the value of the transaction, it is hardly surprising if the bank's priority is to close a deal rather than serve the interests of the client's shareholders.

The major institutional shareholders are well hedged, whatever happens. So long as they hold shares in both the bidder and the target, which they generally do, the profit on the target should offset any subsequent underperformance by the offeror. The institutions also stand to receive offeror shares at a discount to the market if they underwrite a cash alternative. And, on top of that, they can be paid commissions for underwriting what is frequently the same risk several times over.

In the case of both Distillers and Imperial, the institutions are being paid two sets of commissions. As the second underwriting is almost risk-free, institutions have no incentive to duck the commitment even if they believe the counter-offeror is overpaying. Indeed, as the level of commission is now linked to the outcome of the offer in many instances, the institutions have a commercial interest in seeing a bid succeed regardless of whether it is the right deal for the offeror.

Yet, if anyone is to slow the pace of takeover activity, it must be the institutions. So long as the equity market is rising, they may have no need to turn down underwriting commitments. Yet if a fall in the market left the underwriters with a parcel of unwelcome equity – or a merchant bank unable to sub-underwrite a hefty commitment – the London takeover race would look rather different. Not evryeone would be winning prizes.

Exco/Morgan Grenfell

Exco and Morgan Grenfell have spent the past year dithering about the Big Bang. Exco has deliberately avoided making a real commitment to the London Stock Exchange, while Morgan Grenfell has been torn between the establishment of its own securities operation and the acquisition – through Pinchin Denny and Pember & Boyle – of a second division presence in the domestic market. Now they have both come clattering off the fence in order to create the largest investment banking group in the UK.

The arrangement has clear advantages for both sides. Exco at last finds a role in the London securities market to set alongside its money broking operations and Far Eastern brokerage house, while Morgan gains access to a pool of capital which – as it proudly points out – will give it more capital than Morgan Stanley, if rather less than Morgan Guaranty. Exco is apparently aiming to double its share capital, putting a value on Morgan Grenfell of around £500m, and leave its £400m of net cash available for deployment in the enlarged group.

Exco is no doubt hoping that the broadening of its capital base will dilute its largest shareholder into a less threatening position, while giving it the immunity from a foreign takeover that accepting house status traditionally brings. Morgan Grenfell surrenders the flexibility of a private company for a more secure future and the prospect of a dominant management role in the combined group.

The Bank of England will be happy to see another home-grown investment bank to set alongside Mercury and will presumably take a relaxed view of the potential conflict between banking and money broking. So long as Exco's money broking business is run on an arm's length basis, the Bank will probably conclude that this combination is preferable to an Exco dominated by foreign interests and a Morgan Grenfell which lacks the capital to compete. Historically, companies – such as Goldman Sachs and Morgan Stanley – which have developed their own capital have performed better than those which received a sudden infusion from outside, but that is a judgment which the equity market, rather than the Bank, can be expected to deliver.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday February 24 1986

Midlantic in Continental acquisition

By Paul Taylor in New York

MIDLANTIC BANKS, the second largest banking group in New Jersey, agreed to acquire Continental Bancorp of Philadelphia in a stock swap deal valued at $580m. The deal, which anticipates the passage of inter-state banking laws in New Jersey and Pennsylvania, will create a regional banking group with over $15bn in assets.

Under the terms of the merger agreement, which is also subject to approval by shareholders, the US Federal Reserve Board and other regulatory agencies, Continental's shareholders will receive 1.4302 shares in Midlantic for each Continental share they own. On Friday Continental's stock closed up $4.75 a share at $57 a share, while Midlantic's stock slipped by 37½ cents to $43 a share.

As part of the agreement, Midlantic received a warrant to acquire Continental preferred stock convertible into 24.9 per cent of Continental's outstanding common stock under certain conditions. Continental is the seventh largest banking group in Pennsylvania and has long been viewed as a potential takeover target. Midlantic ranks second to Fidelity Union in New Jersey.

The merger deal represents a logical extension of Midlantic's banking marketplace. The new group would be based in Edison, New Jersey, and have particular strength in local retail and middle-market corporate lending. Interstate banking is currently prohibited in both New Jersey and Pennsylvania.

However, the agreement was made in anticipation of changes in state banking law allowing reciprocal regional banking. Pennsylvania's state senate recently approved an interstate banking bill, and local bankers appear confident that similar measures will pass in both state legislatures.

INTERNATIONAL BONDS

Eurodollar issues flood fails to make a splash

BY MAGGIE URRY IN LONDON

"ALL THESE borrowers coming at these levels must be telling you something," said one syndicate manager, watching the $2bn worth of fixed-rate Eurodollar issues launched last week.

Most were undistinguished, neither great successes nor failures.

"As long as we hold them inside the fees, we're not losing money and we get up the league tables, but we'd be making more in the US Treasury market," another new issue banker admitted.

Once again "spreads have widened" was the message of the week. As the US Treasury market raced ahead, the Eurodollar market crawled behind. No one expects this tortoise to end up winning. Yields on Eurodollar bonds have risen significantly relative to treasuries, especially on Friday afternoon when New York took off.

But while the borrowers were taking advantage of the low level of coupons, investors were worrying about the currency and thinking that coupons are nearly as high in some sectors with a stronger exchange rate and even higher in others where there are chances of currency gains.

As paper piles up on underwriters' books, some bankers expect yet more to come this week and then a correction, leaving them nursing losses.

One significant development last week was Amoco's 30-year issue, callable after 10 years at a premium. After a good start as demand came in from Japan, the issue slowed and was trading just within the fees. But the deal, in theory, cannot be left too far behind New York because the bonds are immediately saleable in the US, being registered with the SEC. That provides a backstop to the deal which most Eurobonds do not have. Generally issues cannot be sold into the US until they are seasoned, except in a limited way through private placements.

Perhaps the arguments that raged at the time of the repeal of withholding tax, where some bankers suggested the market would become "global," with bonds sold worldwide on the same terms, will appear again. Amoco at least was hedging its bets by launching a domestic US issue too. Other non-US borrowers will take a lot of persuading to go through with an SEC registration.

Of the week's deals, the World Bank's latest 30-year issue was trading well on Friday, having been launched with impeccable timing on Thursday night ready for the Friday surge in the long bond. Philips' deal, coming on Friday afternoon, was also neatly timed. Atlantic Richfield's issue, like most others, managed to miss out on the rally.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	5,090.2	294.9	2,831.1	1,708.9
Prev	4,132.2	193.2	1,301.5	250.8
Other	2,152.3	3.5	1,190.7	220.9
Prev	914.9	–	10.9	172.5
Secondary Market				
US$	21,259.0	1,086.3	10,318.1	3,275.4
Prev	19,257.5	1,980.1	10,723.0	2,418.1
Other	6,900.5	228.6	1,529.1	2,547.9
Prev	6,319.1	122.6	1,349.2	2,387.2

	Cedel	Euroclear	Total
US$	13,004.0	32,726.9	45,730.9
Prev	11,559.1	27,777.3	39,336.4
Other	7,014.4	7,458.2	14,472.6
Prev	6,249.1	5,632.3	11,881.4

Week to February 20 1986 Source: AIBD

Issue activity has not been sluggish in the Canadian dollar and sterling sectors of the market either. The old, old story of an identified "window" which too many borrowers then try to squeeze through was told again.

A total of C$310m was launched through four deals last week, two of them of C$100m, considered about the most the market can handle. These were not all aimed at the same types of investors, with some appealing to retail buyers and others to institutions. GMAC's issue had the best initial reception. Investors are gambling that Canada's determination to support its currency added to coupons higher than in US dollars.

In the sterling sector the theory is that continental investors should now be keen to buy the currency again, in the hope that it too has passed its low. The issue for Deutsche Bank clearly showed where demand was expected to appear. But last week's deals did not sell quickly, and some bankers question whether there is really sufficient interest in the pound yet. But that may not stop more borrowers coming.

The D-Mark sector is coming in for good demand as hopes of interest rate cuts pushed up prices last week by around ½ point. New issues have almost without exception been warmly received, with even Chrysler's trading comfortably within fees. The calendar for February is by no means complete yet with only around half the fixed-rate deals on the list coming so far. As usual there are suspicions that some have been postponed.

Coupons in the Swiss franc foreign bond market have been tumbling, so much so that a 10-year issue for Bear Stearns was awarded a 5¼ per cent coupon and Commonwealth Bank of Australia's five-year deal has a 4¾ per cent coupon and a 100¾ issue price.

Thomson-Brandt's SFr 100m 12-year issue with equity warrants had a strong debut on the stock market ending its first days trading at 110¼.

EURONOTES AND CREDITS

Japanese banks take on challenge of $500m Algerian loan

ALGERIAN negotiators have always been regarded as tough in the Eurocredit market, so it came as no surprise two weeks ago when the Banque Algerienne du Développement began soundings for a $500m loan on very fine terms, writes Peter Montagnon in London.

What the bank wanted was a 10-year deal with a margin of ⅜ per cent over the London interbank offered rate (Libor) for Eurodollar deposits. For once, however, things have not gone entirely the Algerian way.

The 10-year maturity has proved too much for the European, US and Middle Eastern banks that were in discussion with the borrower, especially since the deal would initially have involved a big ticket underwriting at lead manager level. As a result, the credit now looks likely to be very much a Japanese affair. Over the weekend IBJ International was preparing to offer the borrower a $300m credit carrying the same margin and maturity.

Although this will not necessarily be an exclusively Japanese deal, IBJ believes it can count on enough Japanese support to guarantee its success. Any non-Japanese banks will be asked to underwrite much smaller amounts than in the original $500m project, and that might help them overcome their objections to the low margin and long maturity.

For the market as a whole this exercise has turned out to be yet another reminder of the muscle that Japanese banks are now able to wield. In Algeria, however, it appears to be a Japanese bank – IBJ – which is making the running. This is hardly a matter of comfort for other banks that are more used to seeing their Japanese counterparts tagging along behind.

For Algeria, however, the result is far from satisfactory. Its efforts to win broad support for a large 10-year deal have foundered, exposing a limit to the degree of support it can count on from the international banking community as a whole. All this has happened at a time when falling oil and gas prices suggest the country will have extra borrowing needs. Next time around it may be the Algerian side that has to make concessions.

Arguably, of course, a margin of ⅜ is very generous by today's standards. Algeria's problem seems to have been finding banks willing to underwrite large amounts of 10-year money at this level. However, Citicorp has had no qualms in underwriting the whole of a $300m, 10-year credit which it launched on Friday afternoon for Italy's state industrial holding company, IRI. The deal, which is a bullet, bears a margin of just ⅛ per cent.

Citicorp is now making a big push for market share in the syndicated loan and Euronote market and in so doing has adopted techniques more akin to that of the bond market. Like its credit for Standard Life, which was increased last week to £210m from £175m, the IRI credit is a "bought deal." It will be fully transferable, which means that Citicorp will be able to use securities market techniques to distribute the credit rather than just relying on conventional syndication.

On Friday Citicorp and Bank of Tokyo also announced a plan to renegotiate the $500m credit and Euronote facility arranged by Portugal last year. The maturity is to remain unchanged at 1993, but the commitment fee is being cut to ⅛ per cent from ¼ per cent. Drawings on the core standby credit will bear interest at a margin over Libor ranging from 15 to 25 basis points depending how much is taken up, compared with a range of 25 to 37½ points at present.

Another change is that Portugal will be able to draw the full amount in the form of Euronotes instead of up to half the total as at present. Its sales of Euronotes have been fairly successful in the market, generally achieving a yield of around Libor flat.

The eight-year credit being arranged for the Soviet Foreign Trade Bank by National Westminster Bank has been raised to $250m from $200m, while Belgium's $500m credit has just limped home after a rough ride in syndication.

Morgan Guaranty as lead manager said on Friday the deal was fully subscribed, although big Belgian banks that might have been expected to share in the mandate stayed away for political reasons. That also led to extreme caution on the part of Japanese banks which are taking up an unusually low share of 25 per cent.

Boardroom changes for AIBD

MR ARTHUR SCHMIEGELOW, chairman of the board of managing directors of Privatbanken, is tipped to be the next chairman of the Association of International Bond Dealers (AIBD), writes Maggie Urry in London.

Mr Damien Wigny, the current AIBD chairman, is retiring at the annual general meeting to be held in Singapore in May. He is an executive director of Kredietbank Luxembourgeoise and has been AIBD chairman for four years.

The May meeting will see the first elections to the 15-member board under the new nomination system agreed by members at an extraordinary general meeting in December. A nomination committee consisting of ex-AIBD chairmen, regional representatives and out-going board members has selected a list of 15 candidates to put to the AGM.

Other nominations can come from members, over the next 30 days, though it is felt that outside candidates are unlikely to put themselves forward. Seven members of the existing board have been put forward for re-election, and there are eight new names.

A board comprising senior representatives of the industry is thought to be essential to the AIBD as it grows from being a trade association to a part of the new regulatory environment. The AIBD is hoping to become a recognised investment exchange under the investor protection framework being introduced in the UK.

The agreement of members outside the UK to changes and requirements, such as price provision, necessary for the AIBD to become a recognised exchange, is vital if the association is not to split apart. That is thought to be the reasoning behind the selection of Mr Schmiegelow, who has "neutral" status, as the likely chairman.

The AIBD is making progress on a study into a screen trading facility based on that operated in the US by the National Association of Securities Dealers.

US MONEY AND CREDIT

Rally pushes long yields to six-year lows

DOWN, DOWN, Down went oil prices last week, tumbling by $2.50 a barrel and piercing $14 a barrel in the process. Up, up, up went bond prices. The rally reached new peaks last week as prices soared, sending long yields plummeting to six-year lows — flattening the Treasury yield curve still further.

Behind the current phase of the now six-month-old rally is growing investor confidence that the market's long-time Nemesis—inflation fears—is in retreat. While the recent dramatic drop in spot oil prices is the immediate trigger for this dramatic reappraisal, warnings by Mr Paul Volcker, the Fed chairman, about the inflationary consequences of a further sharp decline in the dollar, perversely worked in the same direction.

Much of the Fed chairman's Humphrey-Hawkins testimony last week was neutral at best for the credit markets. Like his comment that monetary policy remains basically unchanged. But the single most important message Wall Street extracted from Mr Volcker's testimony was that he is still not letting go of his seven-year battle against inflation.

Thus the market concluded that even with a weaker dollar and a stronger domestic economy it is "safe" to step out along the maturity spectrum.

The evidence for this radically changed market perception lies in what has happened to the Treasury yield curve in the past few months—and last week in particular. While the long bond yield has plunged, smashing first the 10 per cent and now the 9 per cent barriers, short-term money market rates have remained virtually static. As a result the yield differential between three-month Treasury paper and one-year bond yields has narrowed dramatically — to around 155 points on an equivalent basis at the end of last week.

Shrugging off negatives like the higher than expected $6.1bn jump in M1 and the high $62bn level of discount window borrowings, the Treasury long bond closed with gains of 3½ points and a yield of 8.70 per cent, down from 8.94 per cent a week earlier and 9.42 per cent a month ago. Long corporate bonds followed suit, posting almost unprecedented gains of around five full points.

In response company treasurers launched $3.52bn of new corporate fixed income securities into the market last week. Despite this huge volume—which follows a similar sized tranche the previous week—new long issue yields fell by between 50 and 63 basis points and many of the new issues brought to market were quoted at premiums by Friday. Foreshadowing a further avalanche of new issue the volume of Rule 415 debt shelf registrations currently stands at a peak $116.4bn.

In stark contrast the Fed Funds rate held relatively steady at around 7.90 per cent—held there in part by the Fed's action to drain reserves when the rate touched the 7.75 per cent level. The market saw the move as indicating the determination of the Fed not to allow short rates to provide the kind of inflationary dollar collapse Mr Volcker was clearly concerned about when he spoke of the US currency reaching a "danger zone."

Other short-term rates also held steady, as they have done since almost the start of the year, reflecting the market view that Mr Volcker's testimony ruled out any early easing. However, reflecting Mr Volcker's warnings about a possible financial crisis triggered by pressures on oil producing LDCs—and their bank lenders—bank CD rates rose slightly as investors sought the safety of government short paper.

By the end of the week senior market economists and Fed watchers had pawed over Mr Volcker's comments and come up with their own potted conclusions. Among their comments:

● Dr Henry Kaufman of Salomon Brothers argues that the Fed "will continue to pursue its recent policy of maintaining stable money market conditions. Underlying this policy, nevertheless, is a substantial provision of bank reserves."

Dr Kaufman argues that the Fed chairman's testimony "underscores the key role of the dollar in monetary policy deliberations." He adds: "Although the Fed is not opposed to some further orderly decline in the dollar, it is fearful that a precipitous drop in the currency would undermine international confidence and raise inflation expectations in the US."

● Mr Philip Braverman of Irving Securities says: "Chairman Volcker is concerned that a significant easing might trigger a precipitous dollar slide, worsen inflationary psychology and blunt congressional deficit cutting efforts." But he adds: "That does not preclude a Fed easing this spring once the dollar stabilises."

● Mr Frank Mastrapasqua of Smith Barney described the Fed chairman's remarks as "soothing." Although Mr Volcker highlighted the risks associated with a sharp dollar decline, he says "a number of important considerations provide comfort for the likelihood that an accommodative bias in Fed policy should persist for some time."

Paul Taylor

US MONEY MARKET RATES (%)

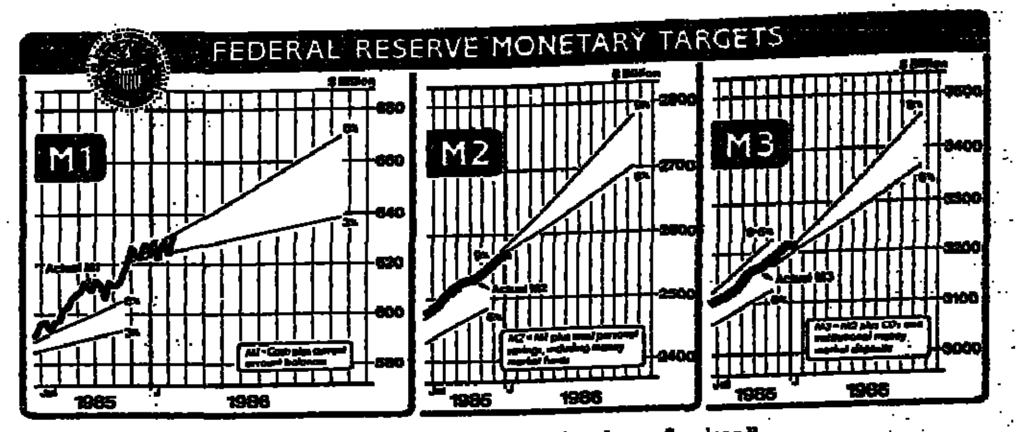
	Last Friday	1 week ago	4 wks ago	12-month High	Low
Fed Funds (weekly average)	7.87	7.89	7.91	8.91	7.70
Three-month Treasury bills	7.03	7.01	6.98	8.78	6.87
Six-month Treasury bills	7.07	7.09	7.10	8.30	6.91
Three-month prime CDs	7.67	7.70	7.85	9.40	7.33
30-day Commercial Paper	7.86	7.85	7.70	8.56	6.98
90-day Commercial Paper	7.80	7.83	7.85	8.35	7.09

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101¾	+1¾	8.36	8.63	9.20
20-year Treasury	105	+2½	8.62	8.90	9.21
30-year Treasury	105	+3½	8.70	8.94	9.42
New 10-year "A" Financial	n/a	+1½	9.20	9.38	10.00
New "AA" Long utility	n/a	+4	9.50	10.00	10.63
New "AA" Long industrial	n/a	+4½	9.60	10.00	10.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended February 10 M1 rose by $6.1bn to $630.7bn



UK GILTS

PSBR figures help to consolidate gains

TWICE IN a row the Government has baffled the Young Turks in the City with an outrageously good set of financial statistics — first for the money supply in the January banking month, and then last week with the announcement of January's public sector borrowing requirement. The news that the public sector had repaid a net £4.5bn of borrowings — double most forecasts — helped to consolidate the gilts market's gains on Monday and Tuesday.

Some stocks put on 2 points in as many days, gaining ground in line with international bond markets, and benefiting from the dollar's weakness. After a slight correction, the market strode forward again on Friday, with gains of up to 1½ points.

The dollar's decline has already begun to hurt some sectors of European industry, which have seen their profit margins on international business eroded, as well as eliciting sounds of concern from European central bankers about the possible resurgence of US inflation as a result of the dollar's depreciation.

The feeling is growing in many quarters that the dollar should not be allowed to fall much further in the near future, and this should put downward pressure on interest rates outside the US. The pain threshold, however, does not appear yet to have been reached in Europe. At least, the Bundesbank still shows no inclination to take the lead in cutting interest rates.

The City's response to the strong PSBR surplus in January has shown varying degrees of caution. Mr Bill Martin of Phillips and Drew considered raising his forecast of the eventual PSBR outturn for 1985-86 because of doubts about the level of public spending, while Capel-Cure Myers's Mr Mark Cliffe cut his projection.

"You can explain away perhaps half of the £2bn discrepancy in the January figures by timing of tax payments, but it is hard to do more than that," Mr Cliffe said. "The Chancellor can now say that non-oil revenues will be more buoyant, so he can maintain his PSBR targets and still make tax cuts."

In Whitehall, predictions of a major PSBR undershoot were being discounted. Some tax receipts certainly appear to have come in earlier than in previous years, and borrowing in March is expected to show an increase. But there was some feeling that the 1985 Budget forecast of £7bn might end up closer to the mark than the autumn statement revision to £8bn.

An undershoot this year should at least make the Chancellor more plausible in presenting his Budget next month, if he chooses to put forward a low PSBR projection as well as tax cuts.

The strong January PSBR figures have helped sterling to strengthen, and three month interbank rates in the money market fell below 12.5 per cent for the first time since base rates rose to this level on January 8. As a result, speculation is now mounting about the prospect that base rates, far from rising as they have threatened to do for the last six weeks, might now be in for a fall.

"There is now a chance of a base rate cut before the Budget, and a very strong likelihood of one immediately after," said Mr Kevin Boakes, senior economist at W. Greenwell. "The only obstacle to a cut is the possibility of a further sharp fall in the oil price."

It does not look that way at the clearing banks, which still face money market rates at least ½ point above their own base rates on shorter term money. Nor does the idea arouse much enthusiasm in Whitehall or at the Bank of England, whose confidence in its ability to resist market sentiment on the direction of base rates must have been enhanced in the last few weeks.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
AIDC 11 89	[illegible]	[illegible]	[illegible]	[illegible]
Alcan Australia 9⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Amer Savings 12⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
Asian Dev Bk 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11½ 95	[illegible]	[illegible]	[illegible]	[illegible]
Australia 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Austria 15⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Avon Fin 10⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bk Nova Scotia 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 12¾ 92	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo 12⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
BMW O/S Ents 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 11⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 12⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Br Col Hydro 12⅝ 13	[illegible]	[illegible]	[illegible]	[illegible]
Britoil Fin 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Caisse Nat Tel 11⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]
Canada 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
CBS Inc 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Centrust S & L 10	[illegible]	[illegible]	[illegible]	[illegible]
Chessbrough 12 93	[illegible]	[illegible]	[illegible]	[illegible]
Chubu Elec Pwr 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 11⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 14 94	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Coastal Int 12⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
Coca-Cola 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Cp Fn de Paris 13⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Continental Grp 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
Creditanstalt 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Dai-ichi Kangyo 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 11⅝ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 12 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 13⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Exptfin 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Dutch St Mines 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Eksportfinans 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
Elec de France 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11 97	[illegible]	[illegible]	[illegible]	[illegible]
EEC 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
EEC 12 93	[illegible]	[illegible]	[illegible]	[illegible]
EIB	[illegible]	[illegible]	[illegible]	[illegible]
Ericsson L M 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
Euro Inv Bk 12⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
EDC 9⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 10⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
EDC 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 12 89	[illegible]	[illegible]	[illegible]	[illegible]
EDC 13⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Fed Dept Store 11 90	[illegible]	[illegible]	[illegible]	[illegible]
Finland 11⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
Finland 12⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Finnish Export 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Firestone	[illegible]	[illegible]	[illegible]	[illegible]
Florida Fed 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
FNMA 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Gen Elec Cred	[illegible]	[illegible]	[illegible]	[illegible]
Gen Motors Acc	[illegible]	[illegible]	[illegible]	[illegible]
GMAC 10 88	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin	[illegible]	[illegible]	[illegible]	[illegible]
GTE Finance 12 96	[illegible]	[illegible]	[illegible]	[illegible]
Gulf Oil 10⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
GZB 14 91	[illegible]	[illegible]	[illegible]	[illegible]
Holt Air Fin 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Household Fin 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
IBM 9⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
IBM (WTC) 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
IBM Credit 11 89	[illegible]	[illegible]	[illegible]	[illegible]
IC Industries	[illegible]	[illegible]	[illegible]	[illegible]
Inco 8 92	[illegible]	[illegible]	[illegible]	[illegible]
Ind Bk Japan	[illegible]	[illegible]	[illegible]	[illegible]
Int-Amer Dev	[illegible]	[illegible]	[illegible]	[illegible]
Int Paper 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 0 97	[illegible]	[illegible]	[illegible]	[illegible]
Int Stand Elec 12 98	[illegible]	[illegible]	[illegible]	[illegible]
ITT 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
ITT Credit Corp 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Japan Airlines 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev Bk	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Kellogg Co 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Kimberley-Clark 12 94	[illegible]	[illegible]	[illegible]	[illegible]
Kyowa Fin	[illegible]	[illegible]	[illegible]	[illegible]
Long Term Cred	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Macy R H 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
Manitoba	[illegible]	[illegible]	[illegible]	[illegible]
Marubeni	[illegible]	[illegible]	[illegible]	[illegible]
McDonalds Fin	[illegible]	[illegible]	[illegible]	[illegible]
Michelin 10 94	[illegible]	[illegible]	[illegible]	[illegible]
Mitsubishi	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Fin	[illegible]	[illegible]	[illegible]	[illegible]
Mobil Corp 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Montreal City 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Mtn Guaranty	[illegible]	[illegible]	[illegible]	[illegible]
Morgan J P 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Mount Isa Fin 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gesunde 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Nat Gesunde 11⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]
N Eng Li Mut 12⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13 91	[illegible]	[illegible]	[illegible]	[illegible]
Nippon Tel Tel	[illegible]	[illegible]	[illegible]	[illegible]
Nissho-Iwai	[illegible]	[illegible]	[illegible]	[illegible]
Nomura	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia	[illegible]	[illegible]	[illegible]	[illegible]
Occident Pet	[illegible]	[illegible]	[illegible]	[illegible]
Oester Kont	[illegible]	[illegible]	[illegible]	[illegible]
Obbeyashi-Gumi	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro	[illegible]	[illegible]	[illegible]	[illegible]
Ontario 12⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Gas & El 12	[illegible]	[illegible]	[illegible]	[illegible]
Penney J C	[illegible]	[illegible]	[illegible]	[illegible]
Philips Petrol 14 89	[illegible]	[illegible]	[illegible]	[illegible]
Postipankki 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Post-Och Kred 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Prudential Ins 12⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 0 98	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Pru Rlty Secs 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Prov 12⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Queensland Gvt 11⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
RBC 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Rural Bk Aust 12 91	[illegible]	[illegible]	[illegible]	[illegible]
Saxon Bank 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Saskatchewan	[illegible]	[illegible]	[illegible]	[illegible]
Scott Ind Fin 14⅝ 96	[illegible]	[illegible]	[illegible]	[illegible]
Sears O/S Fin 0 98	[illegible]	[illegible]	[illegible]	[illegible]
Sears Roebuck 10⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Sears Roebuck 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Sec Pacific 12 94	[illegible]	[illegible]	[illegible]	[illegible]
Shearson/Amex 12⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]
Shell (Canada) 14⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Signal Comps 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]
Standard Oil 10⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Statoil 12 89	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Corp	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Fin	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo Trust	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]
Swedish Export	[illegible]	[illegible]	[illegible]	[illegible]
Taiyo Kobe	[illegible]	[illegible]	[illegible]	[illegible]
Texaco Capital	[illegible]	[illegible]	[illegible]	[illegible]
Texas Instr 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Tokai Asia 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo Elec Pr 13⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
Toyota Motor 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Toray Inds 11⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]
Toronto-Dom 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]
UBS 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]
Utd Tech 11⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Volvo 8 89	[illegible]	[illegible]	[illegible]	[illegible]
West LB 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]
Westpac 12⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]
Weyerhauser	[illegible]	[illegible]	[illegible]	[illegible]
World Bank	[illegible]	[illegible]	[illegible]	[illegible]
Yasuda Trust 12⅞ 89	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]
Arab Bank Corp ¼ 92	[illegible]	[illegible]	[illegible]	[illegible]
Banco Lavoro ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]
Banco di Roma ¼ 91	[illegible]	[illegible]	[illegible]	[illegible]
Banco di Roma ¼ 92 CU	[illegible]	[illegible]	[illegible]	[illegible]
Bankers Tr NY ¼ 96	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Greece ¼ 94	[illegible]	[illegible]	[illegible]	[illegible]
Bank Montreal ¼ 94 £	100	100⅛	0	11⅝
Bqe Nat Paris ¼ 88	400	101	0	8⅛
Bqe Nat Paris ¼ 95	400	101⅛	0	8⅛
Bqe Nat Paris ¼ 96	250	100⅛	0	8⅛
Barclays O/S ⅛	600	100⅛	0	8⅛
BBL ⅛ 96	100	100⅛	0	8⅝
BBL ⅛ 99	100	100	−0⅛	8⅞
BCI ⅛ 96	300	100⅛	0	8⅞
BFCE ⅛ 97	400	99⅞	0	8⅝
BFCE ⅛ 99	600	100⅛	0	8⅛
Belgium ⅛ 04	400	100	0	8¼
CCCE ⅛ 06	200	100⅛	0	8⅛
CEPME ⅛ 96 £	100	99⅞	−0⅛	11⅞
Chase Manhattan ⅛ 09	400	100	0	8⅞
Chemical NY ⅛ 99	300	99¾	0	8⅛
Citicorp O/S ⅛ 91 £	100	99½	+0⅛	12⅞
Citicorp O/S ⅛ 98	250	98¼	+0⅛	8
Citicorp Pen Pan ⅛ 97	250	100	0	8⅝
Commerzbank ⅛ 99	150	100⅛	0	8⅛
Creditanstalt ⅛ 98	150	100⅛	0	8¼
Credit Comm ⅛ 95	100	100⅛	0	8⅛
Credit Foncier ⅛ 00 £	100	100⅛	+0⅛	13⅝
Credit Lyonnais ⅛ 95	300	100⅛	0	8¼
Credit Lyonnais ⅛ 99	250	100⅛	0	8⅝
Credit National ⅛ 95 £	100	99⅞	−0⅛	11⅞
Dai-Ichi Kangyo ⅛ 96	150	100⅛	0	8¼
Den Danske Bank ⅛ 89	30	100	+0⅛	8¼
Denmark ⅛ 90	500	100⅛	0	8⅝
Denmark ⅛ 95	250	103⅛	+0⅛	10
Eldorado Nuke 88	100	99⅞	−0⅛	8¼
Elec de France ⅛ 99	400	100⅞	−0⅛	8⅞
ENEL ⅛ 93 £	100	99⅞	−0⅛	12⅝
Exterior Int ⅛ 96	125	99⅞	−0⅛	8⅝
Ferro del Stat ⅛ 88	100	100⅛	0	8⅛
Ferro del Stat 97	420	99⅞	0	8⅝
Fiat Finance ⅛ 94	100	100⅛	0	8⅛
First Chicago ⅛ 94	100	99	+0⅛	8⅞
First Chicago ⅛ 97	200	98⅛	−0⅛	8⅝
Ford Motor Cr ⅛ 91	200	99⅞	0	8⅝
GW O/S Fin ⅛ 94	100	98½	−1	8⅞
Grindlays ⅛ 94	100	100⅛	0	8⅞
Interfirst Tex ⅛ 89	100	95⅛	−0⅛	8⅝
Ireland ⅛ 88	50	100	0	8⅞
Ireland ⅛ 93 £	50	100⅛	+0⅛	13⅝
Ireland ⅛ 96 £	100	100⅛	0	8⅝
Ireland ⅛ 97	300	100	−0⅛	11⅝
Ireland ⅛ 99	300	100	0	8⅞
Italy ⅛ 94	1bn	100⅛	0	8⅝
Italy ⅛ 99	500	100	0	8⅛
Kleinwort Benson ⅛ 96	100	100⅛	+0⅛	8⅛
Korea Dev Bk ⅛ 00	100	100	−0⅛	8½
Lincoln S & L ⅛ 99	100		0	8⅛
Malaysia ⅛ 93	500	99¾	+0⅛	8⅝
Malaysia ⅛ 94	600	100	0	8½
Man Hanover ⅛ 94 £	75	99½	0	8⅛
Marine Midland ⅛ 94	125	98¾	0	11⅝
Marine Midland ⅛ 96	125	100	0	8⅝
Marine Midland ⅛ 09	150	99⅞	0	8⅝
Mellon Ban ⅛ 96	250	100	0	8⅝
Midland Intl ⅛ 99	200	100	−0⅛	8⅝
Mitsui Fin ⅛ 96	100	100⅛	0	8⅞
Morgan Grenfell ⅛ 94	50	100⅛	−0⅛	8⅝
Mtg Intermed ⅛ 10 £	50	99¾	−0⅛	8⅝
Nat Bank Canada ⅛ 91	50	100	0	12
NatWest ⅛ 05	400	100⅛	0	8⅞
NatWest Fin ⅛	300	100⅛	0	8⅞
Neste Oy ⅛ 94	100	100⅛	0	8⅝
New Zealand ⅛ 87	350	99¾	−0⅛	8⅝
NZ Steel Corp ⅛ 92	225	100⅛	0	8½
Oster Land Bank ⅛ 99	100	100⅛	0	8⅞
Oko Bank ⅛ 92	50	100⅛	0	8⅛
Portugal ⅛ 92	100	98⅛	−0⅛	8⅛
Queensland Coal ⅛ 96	355	100	0	8⅛
Renfe ⅛ 91	100	100⅛	0	8⅛
Sanwa Intl Fin ⅛ 92	150	99⅞	−0⅛	8⅝
SEAT ⅛ 93	100	99⅞	0	8⅛
Security Pac ⅛ 97	250	93⅞	−0⅞	8¼
Skopbank ⅛ 94	75	99¾	0	8⅝
SNCF ⅛ 93 £			0	13⅝
Soc Generale ⅛ 97	400	100⅛	−0⅛	13¼
Soc Generale ⅛ 94	250	100⅛	0	8¼
Spain ⅛ 99	500	100⅛	0	8⅝
Spain ⅛ 97	250	100	0	8⅝
Standard Chart ⅛ 94	200	100⅛	0	8⅛
Sumitomo Trust ⅛ 94	100	100⅛	0	8¼
Sweden ⅛ 89	500	99¾	0	8⅝
Sweden 90	700	99⅞	0	8⅝
Sweden ⅛ 24	500	98⅝	0	7½
Swedish Ex Cred ⅛ 92	125	104	+0⅛	8⅞
Thailand ⅛ 05	60		0	10
Tokai Asia ⅛ 99	150	100⅛	0	8⅞
Toyo Trust Asia ⅛ 99	100	100⅛	0	8⅝
TVO Power ⅛ 04	100	100⅛	0	8⅝
Union Bank-Norw ⅛ 99	50	98½	0	8⅛
United Kingdom 92	2.5bn	99¾	−0⅛	8⅞
Wells Fargo ⅛ 94	150	100	0	7⅝
Wells Fargo ⅛ 96	50	99¼	0	8⅛
Yorkshire Int ⅛ 94 £	75	99	−0⅛	8⅛
		99⅞	0	12⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	161⅛	+11⅛	−1.32
Best Denki 5⅞ 97	15	233	−0⅞	−4.18
Canon 7 97	50	226⅞	−9⅞	−2.37
Daiwa Secs 5⅞ 98	80	261½	+16½	−2.58
Dev Bank Sing 5½ 98	70	75	+1	35.69
Elders 11¾ 94	160	115¾	+1½	36.08
Elektrowatt 6 98	91	129¾	+2¼	−8.06
Fujitsu 3 99	180	103½	−1¼	2.31
Intec Inc 3 99	50	121	+1¾	−2.54
Kumagi Gumi 3½ 00	80	214¾	−3¼	
LASMO 9¾ 99	44	85	−0¾	75.88
Moet-Hennessy 7 99	50	153½	+4¾	−86.68
Murata Mfg 3½ 00	100	130¾	−2¼	18.02
Nippon Oil 3¾ 99	50	105	−5¼	−3.02
Ono Pharm 3¾ 98	60	137⅞	−8⅞	−10.27
Soc Gen Surv 4⅞ 94	50	161	+1⅞	−8.62
Sumitomo Corp 2⅞ 99	70	162¾	+8¾	−0.84
Texaco Capital 11⅞ 94	1bn	97¾	+2¼	67.98
Texaco Capital 11¾ 94	500	98¾	+2½	68.09
Tsumura Juntendo 5¾ 98	30	143⅞	−0¾	−5.21
Yamaichi Sec 3¾ 95	20	179¾	+6	−3.23

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅞ 94	15	105⅞	+0⅛	6.41
Avon Products 6⅞ 91	26	98¼	0	7.15
Denmark 6¾ 92	20	101¾	0	6.41
Dow Chemical 7 94	50	101¾	−0¼	6.74
EDF 6⅞ 95	20	103½	+0½	6.32
Eurofima 7⅞ 94	10	104⅞	+0¼	6.62
Eurofima 6⅞ 92	10	101⅞	+0⅞	6.23
FNMA 6⅞pc 92	50	102½	+0⅛	6.39
GMAC 6½ 90	25	101½	0	6.11
Intel 6⅞ 92	12.5	97⅞	0	7.11
Int-Amer Dev 7⅞ 93	15	103⅛	0	7.33
ITT 6⅞ 92	20	101	−0¼	6.54
McDonald Corp 6½ 92	25	101⅞	−0⅛	6.22
New Zealand 7⅞ 90	15	103	−0¼	6.37
New Zealand 7⅞ 89	15	104½	+0½	6.09
Pacific Gas & El 7 94	20	102¾	−0¼	6.57
Penney J C 6¾ 92	28	98¾	0	6.86
Procter 6⅞ 92	25	101⅞	−0⅞	6.23
Sallie Mae 6⅞ 92	25	100⅜	−0¼	6.50
TRW 7 94	15	101⅞	+0¼	6.71
Utd Technology 6⅞ 92	25	101¾	+0¼	6.36
World Bank 7 94	20	104½	+0½	6.33
World Bank 7⅞ 93	20	105⅞	+0¼	6.46
World Bank 8 93	20	107⅞	+0¼	6.56

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9¾ 89	600	101½	−0¼	9.29
Eurofima 10 94	600	104⅞	0	9.15
E Coal & Steel 10½ 94	1bn	104⅞	−0¼	9.61
Euro Invest Bk 10⅞ 94	1bn	105½	−0⅞	9.44
World Bank 10⅛ 89	1bn	102⅞	+0¼	9.21

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	105¼	−0¼	5.82
ABN 7¾ 89	150	105¼	0	6.14
Amro Bk 7⅞ 89	150	103½	+0¼	6.22
Amro Bk 8 89	200	104¾	−0½	6.24
Bk Mees & Hope 8¾ 89	100	105½	0	6.21
Beatrice Foods 8⅞ 89	100	103¼	0	7.18
C C Rabo 8 89	150	105	+0¼	6.19
Denmark 8½ 91	100	106	−0⅛	6.62
Int Stand Elec 8½ 89	100	106	0	6.61
New Zealand 8⅞ 89	160	106½	0	6.39

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅞ 91	50	105½	+0¼	10.96
Aust Resources 11¾ 92	50	103⅞	+0¼	10.87
Bank of Tokyo 10⅞ 92	75	100	−0¼	10.87
Bqe l'Indosuez 14 91	75	111¼	+0¼	11.08
Br Col Munic 12⅞ 91	100	106⅞	+0¼	10.58
Br Col Munic 13½ 91	100	110¼	+0¼	10.81
Br Col Tele 12¾ 89	70	103⅞	+0¼	11.68
Farm Cred Corp 12¾ 90	75	106	+0¼	10.51
Kredietbank 12 92	75	103¾	+0⅞	11.10
Long Term Cred 11¾ 90	75	103½	+1¼	10.59
Montreal City 12⅞ 91	50	105	+0¼	10.80
New Brunswick 12 95	75	106	+0¼	10.91
Nova Scotia 11¾ 95	100	105¼	+1¾	10.89
Quebec Hydro 14 91	75	105¾	+0¼	12.46

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	102½	+0½	8.83
Australia & NZ 10¾ 91	50	104¾	+0¼	9.63
Austria 10⅞ 93	100	107½	+0¼	9.11
BFCE 9¾ 92	100	105	+0¼	8.64
Cred National 10¼ 94	50	106½	0	9.25
Cred National 11½ 91	50	107½	+0⅞	9.44
Denmark 10¾ 91	75	105¾	0	9.39
Ebco Intnl 10⅞ 89	55	103⅞	+0⅛	9.63
EEC 11 93	50	105⅞	+1¼	9.83
EEC 11⅛ 91	50	105⅞	−0¼	9.81
EEC 11⅞ 93	70	106	+0¼	10.07
Euro Coal & Steel 8 94	60	117⅞	−0½	9.42
Euro Invest Bk 9⅞ 95	200	100¾	+0¼	9.12
Euro Invest Bk 10⅞ 94	130	106¾	+0½	8.89
Euro Invest Bk 10⅞ 89	90	104⅞	−0¼	8.85
Euro Invest Bk 10⅞ 94	100	105½	+0¼	9.43
Euro Invest Bk 11⅛ 92	75	107½	+0½	9.47
Euro Invest Bk 11⅛ 93	50	107⅞	+0¼	9.63
Euro Invest Bk 11⅞ 96	50	115	+2⅞	8.91
Gen Finance 11 90	70	105⅞	+0¼	9.47
Giro Vienna 10½ 93	60	105⅞	0	9.22
GTE Finance 10⅞ 92	80	107⅞	0	9.14
Ireland 10⅞ 95	50	103¼	+0¼	9.70
Italian Govt 10½ 92	600	105¾	+0¼	9.32
Italian Treas 11½ 90	60	107⅞	−0¼	9.34
Kredietbank L 9¾ 92	75	102	+1	8.98
Megal Finance 11⅛ 94	100	108	−0⅛	9.77
Nippon Cred Bk 11 91	50	106¼	−0½	9.41
Nordic Inv 8 94	50	115¾	0	9.47
Post Och Kred 10⅞ 92	50	105	0	9.74
Royal Bk Can 10½ 89	85	104⅞	+1⅛	8.65
SNCI 10¾ 94	80	107¼	+0¼	9.58
Swedish Export 11 89	57	103⅞	−0¼	9.78
West LB 10⅞ 91	50	103¾	−0¼	9.90
World Bank 10¾ 88	100	105	−0½	8.50

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Nat Aust Bk 12½ 89	40	93	+0¼	15.43
PIBA 12¾ 89	50	93½	+0¼	15.13
State Bk NSW 12¾ 88	40	94⅞	+1¼	14.54
Woolworths 14⅞ 88	25	100	+0½	14.15

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intnl 10¾ 91	100	99¾	+0½	10.81
Denmark 10¾ 89	75	100¼	+0¼	10.67
FEC 11¾ 94	50	102¾	+0¼	10.98
Europarat 11¾ 92	50	101½	+0⅞	11.02
Euro Invest Bk 10¾ 92	60	99¾	+1	10.82
Finland 11⅞ 88	50	101⅞	+0¼	11.28
Grand Met Fin 10⅞ 90	50	97¾	+0¼	11.62
Int-Amer Dev 11¾ 91	60	100¾	+0⅞	11.15
Int Stand Elec 11⅛ 89	50	98¾	+0¼	11.41
Inv In Indust 11½ 91	50	99¾	−0¼	11.62
Ireland 11⅛ 94	50	95	+1	11.56
New Zealand 10⅞ 89	100	99	+0¼	10.97
SNCF 11⅛ 94	60	101	+0⅞	11.04
World Bank 10⅞ 89	100	99¾	+0½	10.82
World Bank 10⅞ 93	50	98⅞	+0¼	10.64
World Bank 11 94	50	100½	+0¼	10.88

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Bank Leu Intl	30/8/88	135	+8	−53.38
Ciba-Geigy Int £	1/11/93	547½	+22	−47.74
Credit Suisse	31/5/88	78⅞	−0⅞	−55.74
Casio Computer	6/3/88	52	−1¼	−25.87
Fujikura	28/4/89	0		
IC Inds.	15/5/88	33	+3½	−92.02
Kayaba Industry	15/2/89	37	−1	−4.71
Maruzen	12/2/90	55	+12	−2.05
Mitsubishi Cp	7/11/88	45	+6⅞	−15.46
Mitsui Petro	15/2/90	95	+4⅞	−34.30
Nissho Iwai	1/2/89	25	+4	2.92
Nomura	31/10/89	0		
Swiss Bank Cpn	20/12/88	119	−4⅞	−52.21
Toray Ind	5/3/87	0		
Yamato Kogyo	28/1/90	37	−2⅞	−4.08

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	14/2/88	71⅞	+21⅞	9.87
Coca-Cola 11⅛ 91	28/11/88	81⅞	+5⅞	7.94
Commerzbk 12⅞ 91	21/11/88	105⅞	+7⅞	5.18
Du Pont 13⅞ 89	25/8/88	110⅞	+6⅞	10.17
Eksportfinn 13⅞ 89	15/9/87	122	+11⅞	4.92
Gen Elec 12⅞ 91	7/8/87	103⅞	+24⅞	4.94
Ind Bk Jpn 12⅞ 91	5/10/89	131⅞	+5⅞	8.46
Inv In Inds 10⅞ 91	1/12/88	90	0	11.04
McDnlds F 11⅞ 94	5/1/89	71⅞	+8⅞	10.24
Oester Lnbk 13⅞ 89	9/8/87	112⅞	+2	5.29
Texaco Cap 12⅞ 92	1/9/87	82	−5⅞	8.30
Tmto Dom 12⅞ 91	5/4/88	119⅞	+4⅞	8.27

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.
† Perpetual.

Closing prices on February 21.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

FRENCH INSURANCE

Bourse upsurge blunts privatisation hopes

THE SHARP rise in the share price of French insurance groups is provoking fears among the right-wing Opposition that any privatisation of the three main state-owned insurance groups will prove costly and difficult.

During 1985 the shares of Assurances Generales de France (AGF), the third largest French group in terms of premiums, rose by 497 per cent. Just under 22 per cent of AGF shares are publicly owned, mainly as a result of share distribution schemes to employees.

The shares of Groupe des Assurances Nationales (GAN), the fourth largest French group, rose last year by 417 per cent. Some 11 per cent of GAN's shares are publicly held.

AGF and GAN face the prospect of being denationalised first among the French insurance groups because they are substantially smaller than the state-owned UAP, and because they have strong investment portfolios.

The Opposition — if it is returned to power next month — is expected to make the privatisation of the insurance industry one of the priorities of its denationalisation programme.

On the basis of current share prices, the market capitalisation of AGF is FFr 13bn ($1.83bn) and of GAN FFr 8.1bn. This compares with an evaluation put on them last year by Jean Loyrette, the French legal firm which has been consulted by the Opposition, of FFr 9.8bn for AGF and of FFr 7.5bn for GAN.

The evaluations prepared by Loyrette were on the basis of comparisons with the profit and capital resources of international groups such as Royal Insurance of Britain, Royal Belge and Assiourazioni Generali, the leading Italian group.

Among the factors lifting the shares of the nationalised groups has been the broad advance by the French bourse which last year improved by 45 per cent. The insurance groups, because of their investment holdings, have acted as an upward lever in this process with the average share price of the 22 largest groups rising by 180 per cent. The bourse has continued to advance this year.

The big insurance groups also pushed up profits in 1984, with GAN, for instance, increasing net earnings by 47 per cent to FFr 630m. The upward trend is believed to have continued last year, though results have not yet been published.

A further factor pushing up prices has been the expectation of privatisation, and in particular the focus given to this by the takeover battle for the Providence-Secours group. Both the contestants, the Axa group of Mr Claude Bebear and the Compagnie de Midi (the holding group for Assurances du Groupe de Paris) are anxious to control Providence in part to strengthen their position in the privatisation battle.

The latest offer from Axa values Providence shares at over FFr 2,000 each, compared with the FFr 770 at which they were being traded when dealing were suspended in mid-November.

Officials of the nationalised groups strongly deny reports on the bourse that the spectacular rise in the shares of the natinalised groups stems, in part, from buying by state-controlled institutions aimed at embarrassing potential privatisation measures.

French law in any case limits the percentage of shares in a nationalised insurance group that can be held by any individual or institution.

In fact, the sharp rise in insurance shares over the last year is evidence that the market capitalisation of the French groups had been severely undervalued.

There has been an absence of takeover bids by foreign institutions in the French insurance market. An exception was Commercial Union's purchase of Epargne de France, one of the smaller French insurers, about 18 months ago. Eagle Star has recently developed its own French life insurance unit.

French officials are anxious to see further rationalisation in the French insurance sector. They describe it as being prime for a reorganisation—much like the banking sector before the upheavals of the early 1970s.

David Housego

Blue Circle cuts dividend to 11 cents

By Jim Jones in Johannesburg

BLUE CIRCLE, the South African affiliate of Blue Circle Industries of the UK, suffered a severe profits decline in the 13 months ended December 1985, and is cutting its dividend.

The setback occurred despite substantial improvement in turnover, and trading profit which rose by 23 per cent.

Pre-tax profit dropped to R2.73m ($1.35m) from the previous 12 months' R13.87m. Turnover increased to R291m from R194m, in part because of the consolidation of D & H Materials. Trading profit was R57.5m against R46.8m.

The cement and materials divisions were both affected by lower demand and higher costs. This was exacerbated in the cement division by the commissioning of additional capacity which led to a more than doubled charge for depreciation.

The new cement facilities have increased annual capacity to 2.5m tons. At present, however, plant utilisation is about 60 per cent.

The dividend is being reduced to 11 cents from 38.5 cents.

The depreciation charge for the 13 months rose to R27.6m from R13.2m.

Conrad Black in Canadian sale

BY ROBERT GIBBENS IN MONTREAL

MR CONRAD BLACK, the Canadian financier who has just assumed control of London's Daily Telegraph newspaper, is selling his 41 per cent interest in Calgary energy group Norcen Resources for around C$300m.

The buyer is Hees International, a Toronto holding company within the Brascan Group, which is controlled by Peter and Edward Bronfman. Mr Black and two nominees will join the board of Hees International.

Mr Black held his controlling interest in Norcen, an oil and gas exploration and production group which earned C$119.7m on sales of C$666m in 1985, through Hollinger. Hees will buy the Norcen shares from Mr Black for C$137m in notes and 6m common shares of Hees. Hees does not plan a follow-up offer for the rest of Norcen.

The deal enlarges the energy interests of the Brascan group significantly, and reduces the Canadian holdings of Mr Black. He has disposed of big shareholdings in Massey Ferguson, Dominion Stores and Standard Broadcasting Corporation in recent years.

Brascan's holdings include Noranda, Macmillan Bloedel, Royal Trust, London Life and John Labatt. Peter and Edward Bronfman are cousins of Edgar and Charles Bronfman, who control Seagram, the big distilling group, and the largest silngle shareholding in Du Pont, the US chemical group.

At the same time Peter and Edward Bronfman are going ahead with the sale of their 100 per cent interest in Canadian Hunter Exploration, an oil and gas producer, held through Noranda.

Otis acquires control of Valmet lifts

By Olli Virtanen in Helsinki

OTIS ELEVATORS, the world's largest lift manufacturer, has bought 70 per cent of the lift operations of Valmet, the Finnish state-owned engineering group, as a bridge head for penetrating the Nordic market.

The deal follows several weeks of political toing and froing in Finland between the US company and Kone, the rival Finnish lift group. The price of the deal is estimated to be about FM 100m ($19m). The turnover of Valmet's lift operations is FM 19m.

Valmet's board of directors made the decision over the weekend despite an improved last-minute bid by Kone, after the Government's commission for foreign investment cleared the way for an offer by Otis. Kone apparently offered a higher cash value than Otis.

Mr Matti Kankaanpää, president of Valmet, said that the Otis offer was better on three main points. It guarantees the long-term future for the lift plant, it offers Valmet a substantial role as a minority shareholder and it supports the group's plans for international expansion.

Valmet is involved in a number of negotiations with Otis' sister companies. Otis is part of the United Technologies group.

Volvo quiet on Fermenta deal

By Our Financial Staff

LAST - MINUTE problems appear to have forced Volvo, the Swedish diversified group, to cancel a planned weekend statement on its $500m link-up with Fermenta, the biotechnology group. Company officials were quoted as saying talks between the two companies were continuing in Stockholm.

Volvo said last week it no longer considered itself bound by a January 8 agreement which would make Fermenta Sweden's leading pharmaceutical group.

Sabena extends recovery

BY PAUL CHEESERIGHT IN BRUSSELS

SABENA, the Belgian airline in which public authorities have a 54 per cent stake, continued its recovery last year when it made pre-tax profits of BFr 320m ($6.7m) compared with BFr 64.4m in 1984 and BFr 23.4m in 1983.

Provisional figures show that the pre-tax profit was reached after the payment of BFr 430m in interest on preference shares issued as part of a financial reconstruction in 1982.

Although Sabena carried 7.7 per cent more passengers and moved 11.6 per cent more cargo than in 1984, the operating results were under budget. But there was compensation from the revenue gained by the provision of technical services.

A small profit has now been made for three consecutive years, after more than two decades of losses.

Final figures, when announced, should show a reduction in debt. At the end of 1984 total debt of longer than a year's duration plus provision for risks stood at BFr 14.1bn. A debt reduction would be important if the Belgian authorities decide to privatise part of their stake in the airline.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Gén. Occidentale ¶‡	80	1993	7	6½	100	Banque Paribas	6.500
Fairmont Financial §‡	25	2001	15	7	100	Kidder Peabody	7.000
Glendale Fed. S&L §‡	75	2001	15	7¾	100	Salomon Brothers	7.750
BP Capital (b)‡	75	1994	8	9⅛	100½	Goldman Sachs	9.035
Sth Australia Govt. Fin. ‡	100	1993	7	8¾	100	CSFB	8.750
Aoki Corp. ¶	100	1991	5	(4½)	100	Nomura Int.	*
Banque Indosuez ‡	100	1991	5	8½	100¼	Morgan Guaranty	8.437
Nippon Steel ‡	150	1993	7	9	101½	Daiwa Europe	8.705
Amoco Co. ‡	200	2016	30	9¾	100	Morgan Stanley	9.750
Centrust Savings Bk §‡	35	2001	15	7	100	Banque Paribas	7.000
ONGC of India (c)†‡	125	1996	10	3/16	100	CSFB	–
Nat. Bank of Canada (d)†‡	150	1998	12	⅛	100	Morgan Stanley	–
BNP ‡	125	1993	7	8¾	99⅞	BNP	8.775
Avon Cap. Corp. ɸ‡	100	1989	3	8¾	99⅝	Morgan Guaranty	8.883
Fletcher Challenge ‡	100	1993	7	9¾	100	CSFB	9.750
Nippon Credit Bank ‡	150	1991	5	8½	100¼	Morgan Stanley	8.437
Sweden ‡	200	1996	10	8¾	100	CSFB	8.750
Atlantic Richfield ‡	200	1993	7	9⅛	99¾	S. G. Warburg	9.175
World Bank ‡	300	2016	30	9¼	100	Deutsche Bk Cap. Mkts.	9.250
DeBartolo Cap. Corp. ‡	100	1996	10	9¼	100¾	Chemical Bank	9.132
CANADIAN DOLLARS							
Avco Fin. Services ‡	80	1991	5	10⅝	100⅛	Wood Gundy	10.583
GMAC of Canada ‡	100	1991	5	10¼	100¼	Wood Gundy	10.184
Canadian Nat. R'ways ‡	100	1994	8	9⅞	100	McLeod Young Weir	9.875
TD Mortgage Corp. ‡	50	1991	5	10	100¼	McLeod Young Weir	9.934
AUSTRALIAN DOLLARS							
World Bank ‡	75	1991	5	14	101	DG-Bank	13.711
Canberra Cap.Mkts ‡	40	1991	5	14½	100⅜	BNP	14.390
D-MARKS							
Australia **‡	250	1990	4	5¾	100¼	Deutsche Bank	5.678
Australia ‡	500	1996	10	6¼	100¼	Deutsche Bank	6.216
World Bank **‡	250	1991	5	6	100	DG-Bank	6.000
Chrysler Fin. Corp. ‡	200	1996	10	6¾	100¼	BHF-Bank	6.715
SWISS FRANCS							
Toyo Suisan **¶‡	30	1991	–	2½	100	Crédit Suisse	2.500
Settsu Europe ‡	100	2001	–	0	46.5	Crédit Suisse	5.237
Aegon **§‡	150	1993	–	2	100	SBC	2.000
Aegon **§‡	150	1993	–	2¼	100	SBC	2.250
Charter Medical ‖	100	2001	–	(7½)	(100)	Soditic	*
Nat. Patent Dev. Corp. §‡	50	1996	–	5⅝	100	Bqe Gutzwiller, K.B.	5.625
Nat. Patent Dev. Corp. ‖§‡	25	1996	–	7	100	Bqe Gutzwiller, K.B.	7.000
Austria ‡	100	2001	–	5	99½	SBC	5.048
Austria ‡	200	2016	–	5⅜	100	SBC	5.375
St. El. Comm. W.Australia **‡	125	1993	–	5	101	SBC	4.828
Mitsubishi Rayon **¶‡	150	1991	–	2¼	100	UBS	2.250
Eurodas	90	(1996)	–	(5⅛)	*	Crédit Suisse	*
Chugoku Elec. Power **‡	100	1991	–	5	100¼	Crédit Suisse	4.942
Bear Stearns ‡	150	1996	–	5¼	100	First Chicago	5.250
C'wealth Bk Australia **‡	100	1991	–	4¾	100⅝	SBC	4.607
FAI Financial Ser.	200	1998	–	(5¾)	(100)	Soditic	*
ECUs							
Inco Ltd. ‡	70	1994	8	9½	100⅜	Banque Paribas	9.431
Trizec Corp. ‡	55	1995	10	9¼	100	Société Générale	9.250
STERLING							
Deutsche Bank Fin. ‡	50	1991	5	10⅝	100¼	Morgan Grenfell	10.558
Nat. & Provincial B. Soc. (a)†‡	200	1996	10	⅛	100	Goldman Sachs	–
MEPC ‡	50	1993	7	11¼	100	Morgan Grenfell	11.250
Philips Fin. ‡	50	1993	7	10⅝	100	Baring Brothers	10.625
FRENCH FRANCS							
World Bank ‡	200	1996	10	9¾	100¾	Crédit Agricole	9.630
BELGIAN FRANCS							
BNP (Luxembourg) **‡	300	1991	5	9	100	BNP (Luxembourg)	9.000
LUXEMBOURG FRANCS							
City of Gothenburg **‡	300	1992	6	9	100	Banque Paribas (Lux.)	9.000
Mo Och Domsjo **‡	300	1991	5	9⅛	100	BIL	9.125
GUILDERS							
World Bank **‡	100	1991	5	6¼	99¾	Rabobank Nederland	6.310
YEN							
World Bank **‡	5bn	1993	7	6.3	99.8	Norinchukin Bank	6.436
CITIC ‡	40bn	1996	10	6.3	99.7	Daiwa Secs.	6.441
Kawasaki Steel (e)‡	10bn	1996	10	7½	101	Nomura Int.	7.355
Denmark ‡	10bn	1996	10	6⅜	100½	Daiwa Europe	6.306

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ɸ With bond warrants. ‖ Dual currency. (a) ⅛ over 3m Libor. (b) Additional $25m tap until March 1987. (c) 3/16 over 6 m Libor. (d) ⅛ over 6m Libor. (e) Coupon payable in US$. (f) ¼ over 6m Libor. Note: Yields are calculated on AIBD basis.

UK COMPANY NEWS

Charles Batchelor looks at Myson's £42m purchase from Thorn EMI

Coming in from the cold

Myson Group's purchase of Thorn-EMI's heating division sets the seal on the remarkable recovery of a company which five years ago appeared to be heading for receivership.

The Thorn-EMI deal — announced on Friday — will double the size of Myson in terms of turnover and workforce and create a powerful new force in the £640m UK central heating equipment market.

It will also take Myson into fields such as water heaters and gas fires where it has no previous experience and where it will face tough competition from well-established groups.

Mr Ray Wheeler, Myson chairman and chief executive, and Mr John Salkeld, finance director, believe the problems of Thorn EMI Heating (TEH) are no greater than those they have faced at Myson.

With a shared wry sense of humour which must have enlivened the all-night negotiating sessions needed to clinch the deal, they dismiss any grand vision of Myson's future. "We're grafters," says Wheeler. "We're not creative like the BTRs of this world. You can make money out of anything if you work at it."

Ambitious

There is no denying that the purchase of TEH for £42.1m in shares and cash is ambitious for Myson which has a market capitalisation of just £43.5m and turnover, in 1984, of £55m.

TEH is nearly twice Myson's size in terms of sales—£92m in the year ended March, 1985—and employs 2,300 people compared with fewer than 1,800 at Myson.

It is at the pre-tax level, however, that the figures move strongly in Myson's favour and explain Thorn EMI's willingness to dispose of a business which was, anyway, peripheral to its electronics and leisure activities.

Myson made a pre-tax profit of £5.1m in 1984, despite the imposition of VAT on home improvements half way through the year and cuts in housing grants. TEH made a profit of £6.1m in the year ended March, 1985, on its much larger turnover.

While Myson maintained practically unchanged profits of £2.27m in the first half of 1985, despite the continued impact of VAT, TEH slumped to £504,000 from £2.55m in its first half.

Myson estimates its profits rose 12 per cent to £5.8m in 1985 while TEH expects to make just £4.2m in the year ending in March, 1986.

The purchase of TEH will strengthen Myson's position in three major sectors of the central heating equipment market and take it into two new heating areas.

● It will double Myson's stake in the £120m radiator market to 35 per cent, though Stelrad, part of Metal Box, remains market leader with up to 45 per cent. TEH also adds round-topped radiators to Myson's existing *seam-topped variety.*

● Myson has a very small stake in of only 1.5 per cent in the £170m boiler market. TEH will take it to about 20 per cent — on a par with groups such as Potterton (part of Birmid Qualcast), TI-Glow-worm, Stelrad and Richard Baxendale. Even more important TEH will take Myson into the dominant gas-fired boiler market. It currently makes only oil-fired boilers.

● TEH will double Myson's 17 *per cent stake in the £25m heating pump market dominated by* Grunfoss, a Danish group.

● TEH takes Myson for the first time into the £25m water heater and the £70m gas fire market, where Valor has been expanding successfully. Myson will get the use of Thorn EMI's "Main" brand name, which Thorn still applies to its cookers.

Myson has been attempting to reach agreement with Thorn for over a year but the first round of talks broke down over price. The recent sharp drop in TEH's profits made Thorn more willing to reach an agreement, Myson believes.

Myson is paying £18.3m cash and £23.8m in shares for TEH in a deal which will leave Thorn with 22 per cent of Myson's enlarged equity.

On their bikes! Ray Wheeler (left), chairman and chief executive of Myson Group, and John Salkeld, finance director, plan to get the wheels moving faster at Thorn EMI Heating

Wheeler and Salkeld, both former executives with GEC, the electronics group, have brought Myson a long way since they moved into the boardroom in July 1981 with the backing of a consortium of nine City institutions which put up £6.5m.

Myson's shares were trading at around 10p at that time, putting a market value of just £3.8m on the company and it had about £20m worth of debts. The shares firmed 5p on Friday to 86p in response to news of the deal.

Wheeler and Salkeld believe TEH has suffered from being a low-technology division of a company which was committed to high technology and leisure products. It was consequently starved of cash.

TEH is organised on remarkably similar lines to Myson when the new management took over.

Salkeld describes it thus: "The manufacturing people fixed production schedules. The sales people fixed their budgets — which were always too optimistic. The result was that stock piled up, products had to be sold off at reduced margins and then *production had to be cut back.* It was either feast or famine."

At Myson Wheeler and Salkeld have placed individual managing directors in charge of all aspects of their businesses, from manufacturing schedules to pricing. If demand falls off a manager can rapidly decide to cut back production.

Discipline

The two men have imposed tight financial discipline and also concentrated on improving the quality and reliability of its products.

Warranty claims were costing 5 per cent of profits when they came in. This figure has been reduced to about 1 per cent.

While turnover has barely changed over the past five years — it rose from £53m in 1980 to £55m in 1984 — the pre-tax position has gone from losses of *£3.4m and £7.1m in 1980 and* 1981, to a profit o £5.8m in 1985.

Wheeler and Salkeld now intend to apply the Myson formula to TEH. They will be doing so in a tough and static market. Central heating is now installed in most British homes that can afford it so Myson will be fighting for a larger stake of the replacement business.

Not that the company misses its challenge. Lord Catto, chairman of Morgan Grenfell, Myson's advisers on the deal, has been having trouble with his central heating pump. Wheeler took time off from explaining his strategy last Friday to make sure the pump was being fixed.

McKechnie urges its holders to vote Tonks

By Lucy Kellaway

McKechnie Brothers, the metals and plastics group which is fending off an unwanted £140m bid from Williams Holdings, has sent a letter to its shareholders urging them to vote in favour of its merger with Newman Tonks at its EGM on Friday.

The Williams bid, launched earlier this month, is conditional on the failure of the McKechnie merger with Tonks, and hence Friday's vote will signal shareholders' attitude towards Williams.

The circular contains a strongly-worded attack on Williams, stating that "its principal businesses have been hastily assembled in the last three years. The group as now constituted has, for practical purposes, no record and no discernible business plan."

Dr Jim Butler, McKechnie's chairman, says that the proposed bid would dilute earnings by 21 per cent, and assets by 20 per cent. He describes the offer, which is for shares, as "derisory" and says that "Williams shares stand on a brittle foundation of hope."

Martin Ford receives approaches

Martin Ford, the ladies' wear retailer, has received several bid or merger approaches since announcing earlier this month it would pass its 1985 dividend, the board said yesterday.

Singer & Friedlander, the merchant bank, has been asked to evaluate these approaches. The Ford family and trusts own 56 per cent of the company. The shares rose 4p to 99p on Friday.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —	Net Div.	Times covered	Gross Yield	P.E. Ratio
§150	F.P.	28/2	182	166	‡Brockmount	182	+4	R3.5	4.4	2.7	11.8
587	300	7/3	395	285	Cable & Wireless 50p	325	+3	F2.5	2.9	2.2	17.3
§56	F.P.	31/1	67	59½	‡Granyte Surface 10p	67	+2	b2.1	2.6	4.7	10.4
—	F.P.	—	175	100	Intl. Inv. Tst. J'rsy wts.	162	.....	—	—	—	—
18	F.P.	6/3	130	115	Klearfold Inc. $0.01	115	.....	bQ4.7c	3.0	2.8	12.2
105	F.P.	14/3	155	112	Macro 4 5p	135	+5	R1.0	6.5	1.0	20.7
§127	F.P.	7/3	134	125	‡Microsystems 10p	130	.....	R1.75	4.6	2.0	18.4
¶1330	F.P.	21/2	368	333	Really Useful Grp. 5p	368	.....	b11.25	2.3	4.4	15.1
180	F.P.	—	90	85	‡Spice 5p	88	—1	u2.5	2.2	4.6	11.4
¶¶	F.P.	—	353	277	Storehouse 10p	320	—3	u5.7	2.8	2.5	19.9
††	F.P.	—	20	7	Telfos Warrants	19	.....	—	—	—	—
100	F.P.	27/3	95	95	Throgmorton USM	95	.....	—	—	—	—
¶¶	F.P.	—	134	122	UK Land	134	+8	—	—	—	—
120	F.P.	24/3	175	156	Wellcome	172	+4	u2.05	2.8	1.7	33.1
—	F.P.	—	22	11	Westland Warrants	11	—1	—	—	—	—
140	F.P.	7/3	146	140	‡Wickes 40p	146	+2	R2.0	4.7	1.9	15.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —
97.203	£25	4/4	25½	20¼	Allied Lon.Props.10½%1stMort.Deb.2025	25¼	—¼
¶¶	F.P.	—	106	104	Anglo-Nordic 11½% Cm. Pf.	106	.....
¶¶	F.P.	—	93	91	Do. 10% Cnv. Uns. Ln. '89/93	91	.....
§98.287	£25	19/5	25¾	25½	Centrovincial Ests.11½%1st Mort Db.2016	25¾	.....
§99.745	£25	11/4	29½	23¾	First Scot. Am. 11½% Deb. 2016	29½	+½
‖	Nil	—	15ppm	10ppm	Lawrence (W.) 8.5% Cnv.Cum.Red.Pref.	10ppm	.....
‖	F.P.	27/3	108	103	Lon.Shop Prop.9½%Cnv.Uns.Ln.'99/04	105	.....
96.977	F.P.	10/3	100¼	99	Mecca Leisure 11½% Deb. 2011	100¼	+¼
100	F.P.	30/5	100½	100	Mid Sussex Wtr.8¼% Red. Pref. 1996	100½	.....
—	F.P.	—	100½	99¾	Nationwide Bldg. Soc. 12⅛% 9/2/87	100⅜	—⅛
‖	Nil	—	6ppm	6ppm	Porter Chad. 8% Cnv.Cum.Red.Prf. '95	6ppm	.....
§99.515	£40	26/2	41¼	36	Rosehaugh Greycoat 11%1st Mt Db 2014	41	+¼
§97.955	£25	—	25½	25½	Samuel Props. 11% 1st. Mort.Deb.2016	25½	.....
††	F.P.	27/3	94	92	Telfos 9% Pref.	94	+½
§99.706	£40	28/2	41¾	35¼	T. T. Finance 11⅝% Gtd. Deb. 2016	41⅛	—¼
100	F.P.	—	99	98	Throgmorton USM 5½%Pf.Cnv.Red.Prf.	99	.....
‖	Nil	—	17ppm	8ppm	Westland 7½% Cnv. Cum. Prf.	8ppm	—1

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or —
82	F.P.	3/5	100	88	‡Cannon St. Invs. 20p	90	.....
100	F.P.	7/3	123	113	Chemring Cnv. Pfd. Ord. 5p	117	—1
765	F.P.	21/3	930	785	CALA 50p	790	+5
Dm280	Nil	—	45pm	30pm	Commerzbank Dm10	30pm	.....
235	F.P.	15/3	290	272	Gray Electronics 10p	290	+2
207	Nil	—	37pm	18pm	‡Electron Res. Units	37pm	.....
94	Nil	—	15pm	13pm	[illegible]	15pm	.....
215	Nil	24/5	57pm	47pm	Sallsummer Inns 50p	57pm	.....
‡1200	F.P.	27/3	83	83	Telfos	83	+1
35	Nil	10/5	36	35	[illegible]	36	.....
115	Nil	—	21pm	10pm	Wares (City of London)	21pm	.....
240	Nil	27/3	36pm	10pm	[illegible]	31pm	.....
60	Nil	—	25pm	20pm	Westland	25pm	.....

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and yield based on prospectus or other official estimates for 1986. Q Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. r Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ‡ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Allotment price. ‡ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ● Dealt in under Rule 535 (4) (a). †† Units comprising two ordinary, one preference and one warrant. ‡ Units comprising one New ordinary and one 5.5 per cent Cnv.Red.Prf.

Guinness claims little difference in production

GUINNESS, which is trying to avoid a second referral to the Monopolies and Mergers Commission with its latest £2.35bn bid for Distillers, released a statement over the weekend claiming that in terms of whisky production, very little separates the Guinness bid from the rival bid from the Argyll Group.

Argyl, whose bid has obtained MMC clearance, claimed last week that Guinness/Distillers domination of whisky production, which was little altered under the terms of the new bid, would continue to make another referral likely.

Guinness claims that the difference between ownership of production between the two rival bids is only 2.3 per cent. Furthermore, it argues that because of overcapacity in the market, ownership is not relevant. The company also notes that as 90 per cent of Distillers production is sold abroad, the issue of production capacity has little bearing on competition in the UK market.

Lornex boost for RTZ

Rio Tinto-Zinc shares have risen 34p since last Thursday to 594p Friday night, on better than expected results from two of the UK-based group's overseas producers of base metals.

The market was especially pleased by the Canadian molybdenum and copper-producing Lornex Mining which announced a 1985 net profit of C$24.14m (£12m), or C$2.92 per share, compared with a loss of C$3.26m in 1984.

Lornex, which earned C$6.47m in the final quarter of 1985, received net revenue from mine production in the full year of C$243.7m against C$195.7m in 1984.

This reflected increased output of copper and coal, the exchange rate benefits of a stronger US dollar (in which output is priced) against the Canadian dollar and, to a lesser extent, slightly higher copper prices.

Earnings were also helped by lower production costs for copper and molybdenum coupled with a fall in interest charges.

United Glass

A STRONG performance by its glass container division, which saw trading profits improve from £8.76m to £12.16m, helped United Glass Holdings' pre-tax profits rise by 29 per cent in the year to the end of November, 1985.

The division's turnover improved from £118.58m to £126.29m out of a total of £193.77m (£181.93m), up by 6 per cent, but directors say there was no material change in volume.

After redundancy and other rationalisation costs of £1.02m (£365,000) and interest charges of £2.88m (£3.59m), the pre-tax profit was £11.17m, against £8.66m last time.

Don Bros, Buist

A SUBSTANTIAL reduction in prices of jute fabrics in India and Bangladesh and depressed demand for its intermediate bulk containers resulted in a fall in pre-tax profits for Don Brothers Buist in the six months to November 24 1985.

On turnover up by 6.5 per cent from £25.25m to £26.9m, pre-tax profits fell from £1.8m to £1.66m, down by 8 per cent. Earnings per share for this Tayside textile maker and merchant rose from 7.5p to 7.6p and the interim payment is increased to 1.2p against 1p.

BOARD MEETINGS

TODAY

Interim: Murray Income Trust.

Finals: S. and W. Berisford, Alfred McAlpine, Marley, Murray International Trust, Vickers.

FUTURE DATES

Interims—

Dunton ... Mar 14
Intereurope Technology Services ... Feb 28
Meinmet ... Feb 26
SelecTV ... Feb 28

Finals—

AMS Industries ... Mar 3
Braime (T. F. and J. H.) ... Mar 3
Brent Chemicals Intnl ... Mar 24
British Vending Industries ... Feb 28
Goal Petroleum ... Mar 25
Jebsens Drilling ... Feb 27
Olives Paper Mill ... Feb 27
River Plate & General Inv. Tst. ... Feb 27

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
Anglo American Gold	Mar 7	Final 550c	Laird	Mar 29	Final 3.2
BAT Industs	Mar 27	Final 8.25	Legal and General	Mar 26	Final 14.0
BBA	Mar 18	Final 0.9	Lex Service	Mar 6	Final 6.5
*BICC	Mar 28	Final 7.04	*Lloyds Bank	Feb 28	Final 17.0
*BSR	Mar 4	Final 1.295	*Low and Bonar	Mar 10	Final 8.7
BTR	Mar 5	Final 7.25	Lucas Inds	Mar 18	Interim 2.8
*Barclays Bk	Mar 6	Final 13.5	*McAlpine (A.)	Feb 24	Final 7.5
Babcock Intl	Mar 27	Final 4.3	*Marley	Feb 24	Final 2.35
Barratt Developments	Mar 19	Interim 2.31	Metal Closures	Mar 27	Final 4.5
Beazer (C. H.)	Mar 26	Interim 4.0	*Midland Bank	Mar 5	Final 14.5
Bejam	Mar 13	Interim 1.75	*Mitchell Cotts	Mar 6	Interim 1.5
*Berisford (S. and W.)	Feb 24	Final 7.0	*NatWest	Mar 4	Final 18.34
Bestobell	Mar 20	Final nil	Ocean Transport	Mar 27	Final 3.35
Booker McConnell	Mar 26	Final 6.25	Paterson Zochonis	Mar 19	Interim 1.55
Bowater	Mar 27	Final 5.0	P & O	Mar 26	Final due
*Brent Chems	Mar 24	Final 2.75	Philips Lamps	Mar 7	Final Fl 1.40
Bridon	Mar 28	Final 2.8	Provident Financial	Mar 5	Final 7.0
Britannia Arrow	Mar 27	Final 1.4	*Prudential	Mar 6	Final 19.0
British Aerospace	Mar 26	Final 8.4	*Ransomes Sims and Jefferies	Mar 10	Final 14.0
British Car Auction	Mar 26	Interim 1.25	Reckitt and Colman	Mar 26	Final 8.8
Britoil	Mar 21	Final 8.2	Rockware	Mar 26	Final nil
Brown Boveri Kent	Mar 27	Final 1.5	Rowntree Mackintosh	Mar 14	Final 7.4
Bunzl	Mar 27	Final 4.25	*Royal Insnce	Feb 27	Final 15.0
Burton	Mar 27	Interim 2.5	Saga Holidays	Feb 28	Final 2.7
Cadbury Schweppes	Mar 7	Final 4.3	STC	Mar 27	Final 0.75
*Capital and Counties	Feb 25	Final due	Sime Darby	Mar 8	Interim 4 sen
Collins (W.)	Mar 12	Final 9.0	Shell	Mar 14	Final 21.7
Combined Eng Stores	Mar 25	Final 2.94	Smith and Nephew	Mar 28	Final 3.15
*Commercial Union	Mar 5	Final 6.95	Staffs Potts	Mar 28	Interim 1.0
Cons Gold	Mar 6	Interim 8.5	Standard Chartered	Mar 28	Final 19.0
Cons Plants	Mar 7	Interim 8 sen	Steetley	Mar 25	Final 7.5
Croda Intl	Mar 26	Final 4.0	Suter	Mar 20	Final 2.3
DRG	Mar 26	Final 4.5	*TI	Mar 6	Final 5.0
Delta	Mar 26	Final 2.65	*Transport Development	Mar 26	Final 4.0
De Beers	Mar 13	Final 27.5c	Tricentrol	Mar 26	Final 5.0
Enterprise Oil	Mar 26	Final 5.0	*Turner and Newall	Feb 20	Final 1.5
Exco Intl	Mar 26	Final 4.75	Ultramar	Mar 13	Final 9.5
[illegible]	Mar 4	Final 2.7	Unilever	Mar 5	Final 25.03
[illegible]	Mar 5	Final 12.0	United Biscuits	Mar 13	Final 4.3
General [illegible]	Mar 7	Final 135c	*United Newspapers	Mar 25	Final 9.0
Guest Keen	Mar 13	Final 8.5	*Vickers	Feb 24	Final 6.0
Hepworth Ceramic	Mar 22	Final 4.0	Wagon Finance	Feb 14	Final 2.5
Hickson Intl	Mar 26	Final 10.0	Willis Faber	Mar 20	Final 9.5
Home Charm	Mar 26	Final 1.75	Wolseley-Hughes	Mar 13	Interim 3.0
*Hong Kong and Shanghai Bkg	Mar 11	Final $0.31	Woolworth	Mar 28	Final 6.6
Horizon Travel	Mar 19	Final 3.62	Yorkshire Chemicals	Mar 12	Final 1.75
*ICI	Feb 27	Interim 15.0			
IMI	Mar 28	Final 2.5			
*Kleinwort Benson	Mar 11	Final 9.0			
Ladbroke	Mar 26	Final 5.823			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	Feb. 17	Feb. 14	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Government Secs.	84.14	83.73	84.00	83.62	83.00	82.55	84.57	78.02	127.4	49.18
Fixed Interest	88.96	88.96	88.93	88.58	88.06	87.75	90.38	82.17	150.4	50.53
Ordinary	1256.0	1233.2	1235.1	1234.3	1220.7	1218.8	1256.0	911.0	1256.0	49.4
Gold Mines	332.7	324.8	326.3	317.6	320.4	317.1	536.9	237.9	734.7	43.5
FT-Act All.Share	737.54	726.85	726.46	725.49	717.97	719.01	737.54	581.88	737.54	61.92
FT-SE100	1518.0	1491.1	1491.4	1491.9	1475.3	1477.9	1518.0	1206.1	1518.0	986.9

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Over-the-Counter Market

Capitalisation £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,296	Ass. Brit. Ind. Ord.	128	—	7.3	5.7	7.7	7.2
	Ass. Brit. Ind. CULS	131	—	10.0	7.6	—	—
4,052	Airsprung Group	70	—	6.4	9.1	11.7	16.2
655	Armitage and Rhodes	33	—	4.3	13.0	4.1	4.8
54,687	Bardon Hill	170	—	4.0	2.4	21.9	22.6
3,138	Bray Technologies	57	—	3.9	6.8	7.0	8.0
483	CCL Ordinary	138	—	12.0	8.7	3.4	3.2
1,228	CCL 11pc Conv. Pref.	99	—	15.7	15.9	—	—
8,099	Carborundum Ord.	135	—	4.9	3.6	8.7	10.5
627	Carborundum 7.5pc Pf.	91	—	10.7	11.8	—	—
4,461	Deborah Services	57xd	—1	7.0	12.3	5.6	7.8
3,034	Frederick Parker	31	—	—	—	—	—
1,718	George Blair	325	—	—	—	3.8	6.9
2,680	Ind. Precision Castings	65	+1	3.0	4.6	17.4	14.6
12,990	Isis Group	163	—	15.0	9.2	12.5	18.7
8,144	Jackson Group	118	+1	6.5	4.7	7.9	7.3
45,671	James Burrough	327	+3	13.0	4.7	10.1	10.1
3,212	James Burrough 9pc Pf.	92xd	—	12.9	14.2	—	—
6,669	John Howard and Co.	64	—	3.0	7.8	5.1	8.0
29,112	Minihouse Holding NV	690	—20	6.9	0.8	36.3	30.5
714	Robert Jenkins	70	—	—	—	9.1	20.0
1,200	Scruttons "A"	70	—	—	—	—	—
1,684	Torday and Carlisle	89	—	5.0	7.2	3.5	6.6
1,473	Trevian Holdings	225	—	1.0	1.3	15.2	13.2
7,636	Unilock Holdings	48	—	2.1	4.4	13.0	12.4
77,306	Walter Alexander	135	+3	8.6	6.4	7.8	8.3
4,666	W. S. Yeates	200	—	17.4	8.7	5.7	9.8

INTERNATIONAL APPOINTMENTS

Subaru of America lifts top management gear

BY WILLIAM HALL IN NEW YORK

SUBARU OF AMERICA, a Wall Street glamour stock because of the successful US invasion mounted through its Japanese built cars, has announced a major reshuffle of its top management amid growing speculation that Subaru may soon start building cars in the US.

Mr Thomas R. Gibson, aged 43, who left Chrysler Corporation in 1981 to join the group, has been appointed president and chief operating officer, and Mr Marvin S. Riesenbach has been promoted to chief financial officer. Mr Gibson is taking over as president from Mr Harvey Lamm, 50, one of the founders of Subaru and its chairman and chief executive.

Subaru, earnings of which have grown at a compound annual rate of 51 per cent over the last decade, has elected six new group vice presidents as part of a management reorganisation which Mr Lamm says will prepare the company "For the next decade of continued growth and success."

Subaru is the only American-operated and publicly-owned automobile import company in the US and is seen by Wall Street as one of the few pure investment plays to be made on the success of Japanese vehicles in the US market. The New Jersey-based company, which is 48.8 per cent owned by Fuji Heavy Industries of Japan sells its cars through a network of over 800 dealers and last year increased its sales by 13 per cent to 178,175 vehicles.

The group's success in recent years has been measured by a premier stock market rating. Last year, the group earned $77m on revenues of $1.5bn and reported a 39 per cent return on shareholders funds. Ten year ago, Subaru shares were trading at $1.40. They are currently trading above $200 which capitalises the company on the stock market at $1.2bn.

The group has over 50 per cent of the expanding four-wheel drive passenger car market in the US, but is beginning to face increasing competition from companies like Mercedes Benz and BMW, of Germany, which plan to enter this specialised section of the market. Subaru also faces an added problem in that its expansion could be limited by any further curbs on Japanese car imports into the US market.

Several of the big Japanese car makers have begun producing cars in the US to circumvent the import barriers but Subaru, which only accounts for 6 per cent of all Japanese exports to the US, is a relatively small company and does not have the sorts of economies of scale in the US which would justify the construction of its own plant.

The company is known to have to have been investigating the possibility of building cars outside Japan in partnership with another car maker. Volkswagen, the German-based company which produces its own cars at a plant in New Stanton, Pennsylvania, is one name which has been frequently mentioned as a possible partner. Subaru officials refuse to discuss the possibilities the company is considering, but confirm that the company hs talked to "virtually everybody." A decision is expected before the end of the year.

Key post at BMW goes to youth

By John Davies in Frankfurt

BMW, the West German car and motorcycle maker, has appointed Mr Wolfgang Reitzle as a member of the management board. He is, at the age of 36, one of the youngest men in a senior position in the motor vehicle industry.

Mr Reitzle has been in charge of development work at BMW since May last year.

His career has advanced rapidly since he joined BMW in 1976 after studies and scientific work at the Technical University in Munich.

Mr Reitzle's rise to prominence has taken place as Mr Eberhard von Kuenheim, BMW's chief executive, has sought to give new impetus to technical research and innovation at the company.

BMW has been stepping up development and marketing efforts in the face of intense competition, particularly from Daimler-Benz. Mr von Kuenheim said recently that BMW would bring a "completely new car" to the market this year, and then something basically new each year into the 1990s.

Overseas role at Hughes Aircraft

HUGHES AIRCRAFT, the California electronics, aerospace and defence company taken over last year by General Motors in a $5bn deal, has appointed Mr David M. Snyder vice president, international and a member of its policy board. He succeeds Mr George E. Todd, who has retired.

Mr Snyder will be responsible for directing overseas operations in more than 50 countries, including 16 offices abroad.

American Express

AMERICAN EXPRESS BANK, international banking arm of American Express Company, has elected Mr Robert S. Mason executive vice president to serve as area executive for the UK, the Middle East and Africa.

In New York, Mr Alden L. Flertz, executive vice president, has been appointed head of American Express Bank's operations and systems worldwide.

New chief for Searle

MONSANTO, the St Louis-based chemicals group, has elected Mr Sheldon G. Gilmore president and chief executive of G. D. Searle and Company, the Californian pharmaceuticals concern taken over last year for $2.8bn.

Mr Gilmore was previously president of Pfizer Pharmaceuticals, the offshoot of Pfizer Inc, the diversified US health care group.

Mr John Robson, who was chief executive at Searle before its acquisition by Monsanto, had agreed to stay on until January 31.

* * *

AMFAC, the diversified US distribution and food processing concern, has elected Mr Ronald R. Sloan president and chief executive, with effect from May 12.

Mr Sloan, 51, succeeds Mr Ralph A. van Orsdel, who will become chairman of the executive committee. Mr van Orsdel was appointed president in September, following the resignation of Mr Myron du Bain. Mr Sloan has been executive vice president since that time.

* * *

MR W. LEE NUTTER has been elected senior vice president, operations of ITT Rayonier, the first products subsidiary of ITT Corporation, the diversified US telecommunications concern.

Mr William S. Berry has been appointed senior vice president, land and forest resources of the subsidiary,

Capital Cities creates treasury post

By Our New York Staff

MR DAVID VONDRAK has been appointed to the new position of treasurer of Capital Cities/ABC, and will be responsible for the overall corporate treasury operations and insurance functions of the US media giant.

Mr Vondrak was treasurer of American Broadcasting Companies (ABC) prior to the $3.5bn takeover by Capital Cities which was completed early last month. He has been involved in ABC's treasury operations since joining the group in 1975 from the Teacher's Insurance and Annuity Association, where he was assistant to the treasurer. Mr Vondrak will report to Mr Ronald J. Doerfler, senior vice president and chief financial officer of Capital Cities/ABC.

Bank of Montreal

MR KEITH DORRICOTT has assumed the new post at the Bank of Montreal of executive vice president and chief financial officer. He was previously senior vice president and chief auditor.

Chairman of Mobil Oil Germany

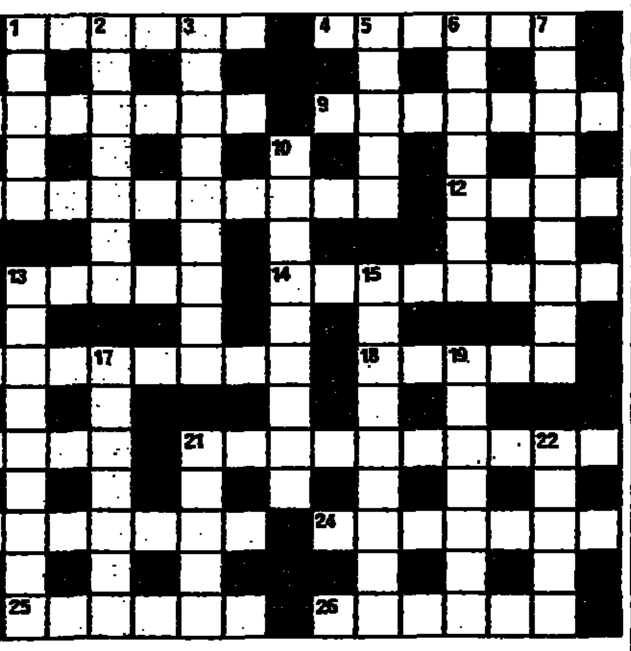
MOBIL OIL AG, the wholly owned German subsidiary of Mobil Oil of the US, has appointed Mr Herbert Detharding managing board chairman.

Mr Detharding, who was deputy chairman, replaces Mr Herbert Lewinsky who was this month appointed director general of Voest-Alpine, the Austrian state-owned steel maker.

Mobil AG has also announced that it plans an internal reorganisation including a reduction in management.

Mr Detharding's successor as deputy chairman is Mr Bernd Schlichting, previously financial manager.

F.T. CROSSWORD PUZZLE No. 5,956



ACROSS

1 Nothing in larch, quivering, is connected with singing (6)
4 Thing to express disapproval about (6)
9 and 8 It's not much later for hands to wave, etc, etc (2, 2, 3, 2, 5)
11 Pet that could settle on the carpet? (7, 3)
12 Complain about the food (4)
13 Cartoon character, I am confused with books (5)
14 Hairy set, crazy, given to sort of madness (8)
16 Antiseptic—almost a bottle for tailless insects (8)
18 Excess drinking is being silly (5)
20 Travel across snow with time for a little entertainment (4)
21 Previn's note discordant? Won't let it happen! (10)
23 Bearing a title (7)
24 Ways of living? (7)
25 His 23 would be (6)
26 Engages in totting. That's consistent (4, 2)

DOWN

1 Chap taking in student could be leading up to a hitch (5)
2 Animal to work very large amount (7)
3 Wind up in real description of insurance work? (9)
5 You get some gain from well worn boots (5)
6 Well-spoken nob leads some to get a higher rank (7)
7 Spike holds in annoyance, showing colour (9)
10 Variable choice over clue to a certain sport (3-6)
13 A mineral could be on the cards (9)
15 Under obligation to the opposite of 4? (9)
17 Together, we bent English in a way (7)
19 Crazy people gathering in May? (7)
21 I hope tale is partly taken from a flower (5)
22 It's about some dancing, readily to hand (2, 3)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK APPOINTMENTS

Molins deputy chairmanship

Dr A. Frankel, who has accepted an invitation to become deputy chairman of MOLINS, has been a non-executive member of the board since 1980. Mr Christopher Smith has been appointed to the main board. Mr Smith joined Molins in 1978 and will continue in his dual role as company secretary and contracts director.

★

Mrs Fiona Laing has been appointed a director of NOBLE GROSSART, a Scottish merchant bank. She has a corporate finance responsibility in the London office.

★

Mr Stephen Hill has been appointed managing director, overseas non-marine division and a director of the overseas management and marketing division of BAIN DAWES. Mr Angus Cleaver has been appointed a director of the overseas non-marine division and will retain his directorship of the contractors and professional liability division. Bain Dawes Financial Services has appointed Mr Stephen D. Jacobson as an associate director and London acutary of the company. He was an actuary and consultant with the London office of the Wyatt Company.

★

Mr Paul Ross has been appointed, from April 1, procurement and distribution direc of ATHENA INTERNATIONAL, a wholly-owned subsidiary of Pentos. He joins from Atlas Lace Paper Company, where he was production director.

★

Mr A. F. Noyes has been appointed deputy chairman of HARRISON HORNCASTLE HOLDINGS.

★

Mr Jim Cameron has been appointed managing director of REXEL ENGINEERING. He was director/general manager.

★

Lord Boyd-Carpenter has succeeded Lord Camoys as president of the MAIL USERS' ASSOCIATION.

★

Mr J. R. Sclater has been appointed a director of F & C ENTERPRISE TRUST. He will succeed Mr Quinton Hazell as chairman when the latter retires after the annual meeting.

★

Mr Charles Donovan has been re-appointed as a full-time member of the BRITISH GAS CORPORATION for three years from March 1. He is managing director (personnel).

★

Ms Joy Weston has been appointed retail operations director of HORNES MENSWEAR (RETAIL). She was concessions director. Mr Martin Parker, buying and merchandising director, has taken over additional responsibility for concessions. Mr Allstair Ritchie, company secretary of Horne Brothers, has been appointed a director of Hornes Menswear (Retail). His new responsibilities cover new site acquisitions.

★

Mr Guy MacPherson has been appointed a director of THE GOLDSMITHS GROUP. He is managing director of the Heritage Hotels division of the group.

★

Mr F. A. Moody, financial director of ANGLO NORDIC HLDINGS, has resigned his directorship. Mr T. D. Wall, commercial director, will assume overall control of the group's financial affairs. Mr Fritz Toft Rasmussen has resigned as a non-executive director on retiring from F. L. Smidth & Co A/S. Mr Jens Münter, a director of F. L. Smidth & Co A/S, has been appointed a non-executive director in his place.

★

Mr David M. Wood has been appointed managing director of TR OIL SERVICES, succeeding Mr Bob Fleming, who has returned home to the US. Mr Wood was with Magnachem as general manager of its subsidiary Baker Oil Treating. Mr Flammang has taken up a senior appointment in product and market development with Unichem International Inc in the oil services group of Simon Engineering. TR Oil Services is a joint venture between Simon Engineering and Hoechst AG.

★

Mr Roger Mabey has been appointed to the board of BOVIS CONSTRUCTION. He remains responsible for all Marks & Spencer construction. Mr John Newton rejoins as director, sales and marketing. He has been sales and marketing director with both Higgs & Hill and Fairclough Building. Mr Bernard Hodgson becomes surveying director. Mr Tony Farmer has been appointed commercial director of Bovis International. He was operations director.

★

Mr Joe Dillon, formerly chairman and managing director of Hill and Knowlton, Ireland, has been appointed group managing director of HILL AND KNOWLTON, London.

★

Sir John Hoskyns will join the board of FERRANTI as a non-executive director from February 28. He is director general of the Institute of Directors.

★

Mr John Lavin has been appointed managing director of INFOTRON SYSTEMS. He joined last year as sales and marketing director, from Storage Technology where he was UK sales and marketing manager.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

[illegible]

INSURANCES

[illegible]

هكذا اصل الأصل

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow 041-248 6321

Pen Eml.Jan 14	660.8	681.2	...	—
Pen Mngd Sept 30	421.1	434.1	...	—

Scottish Mutual Investments
109 St Vincent St, Glasgow 041-248 6321

Safety Fund	108.1	113.8	+0.1	—
Growth Fund	107.6	113.3	+0.6	—
Opportunity Fund	114.5	120.6	+0.7	—
Cash Fund	99.8	105.1	...	—
European Fund	148.7	156.6	...	—
Gilts & Fxd Int Fund	103.8	109.3	...	—
Index-Linked Fund	95.3	100.4	+0.3	—
International Fund	128.4	134.7	+0.8	—
North American Fund	101.1	106.5	+1.9	—
Pacific Fund	118.3	124.6	−0.9	—
Property Fund	100.1	105.4	...	—
UK Equity Fund	112.5	118.5	+0.9	—
UK Smaller Co. Fund	115.8	121.9	+0.5	—
Pens Safety Fnd.	103.7	109.2	+0.6	—
Pens Growth Fnd	105.5	111.1	+0.5	—
Pens Opportunity Fnd	108.1	113.8	+0.7	—
Pens Halifax Fnd	98.6	103.8	...	—
Pens Cash Fund	98.2	103.4	...	—
Pens European Fnd	127.2	133.9	+0.1	—
Pens Gilts/Fxd Int Fnd	98.1	103.3	...	—
Pens Index-linked Fnd	95.6	100.7	+0.2	—
Pens International Fnd	116.0	122.2	+1.0	—
Pens Nth American Fnd	115.9	122.0	+2.2	—
Pens Pacific Fnd	111.1	117.0	−0.8	—
Pens Property Fnd	98.2	103.4	...	—
Pens UK Equity Fnd	106.3	111.9	+0.8	—
Pens UK Smlr Co's Fnd	106.3	111.9	+0.5	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh 031-556 9181

Sun Life Unit Assurance—Contd.
Sun Life Pensions Management Ltd
(funds for individual pension contract)

Pens. Managed Acc.	372.6	392.3	...	—
Pens. Property Acc.	169.5	178.5	...	—
Pens. Equity Acc.	475.5	500.6	...	—
Pens. F. Interest Acc.	188.1	198.1	...	—
Pens. Ind. Lnkd. Acc.	106.4	112.0	...	—
Pens. Cash Acc.	182.0	191.6	...	—
Pens. Amer. Equity Acc.	163.6	172.3	...	—
Pens. U.S. Bond Acc.	123.7	130.3	...	—
Pens. Japan Acc.	153.4	161.5	...	—
Pens. Pacific Acc.	132.4	139.4	...	—
Pens. Far Eastern Acc.	435.1	458.0	...	—
Pens. Internat. Acc.	377.9	397.8	...	—
Pens. U.S. Dollar Acc.	102.8	108.3	+1.0	—
Pens. Yen Acc.	129.0	135.8	−1.0	—
Pens. Euro. Curr Acc.	112.7	118.7	+0.5	—
Pens. Euro. Acc.	97.5	102.7	...	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks 0732 450161

Equity	207.66	214.08	...	—
Fixed Int.	142.09	148.80	...	—
Index Linked	108.51	109.05	...	—
Property	172.37	177.49	...	—
Cash	129.65	129.65	...	—
Mixed	192.48	198.43	...	—
International	167.84	173.03	...	—

Next sub day Feb 26

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

Managed Fund	132.3	139.4	−0.3	—
Property Fund	116.9	123.1	...	—
Fixed Int Fund	119.8	126.2	+0.2	—
Money Fund	113.8	119.3	+0.1	—
Equity Fund	163.8	172.5	−0.9	—
TSB Pensions Ltd.				
Managed Pension	304.9	321.1	+1.4	—
Deposit Pension	106.6	112.4	...	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

INSURANCE, OVERSEAS & MONEY FUNDS

BNP Inv Mgmnt (Jersey) Ltd
PO Box 758, St Helier, Jersey
BNP Intercurrency Fund Ltd

US Dollar	$10.2			
Sterling	£10.2			
DMarks	DM30.41			
BNP Intercommodity Fund Ltd				
North American	$10.64			
Far East	$12.02			

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liquibaer J. Baer $Fd.	$1.308			
$-Baer, J Baer$Fd*	$1.101			
DM-Baer, J.BaerDMFd*	DM1.061			

*Plus charge

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey

Tech and Comm.	£7.59			
Pac. Basin Fund	£38.35			

The Bangkok Fund
Bangkok First Inv & Trust Ltd
300 Silom Road, Bangkok, Thailand
NAV Feb 19 BANT 264,340.2

Bank of America International SA
35 Boulevard Royal, Luxembourg

Worldinvest Inc.	$160.39			

Valued weekly on Wednesday

Barclays Unicorn International
1 Charing Cross, St Helier, Jersey

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$25.52		...	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$15.45		...	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$13.52		...	—
Dynamic Gwth Fd.	$12.90		...	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.92	11.50	...	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.25		...	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.45	9.30	13.66	6mth
7-day Fnd	12.45	9.29	13.69	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.43	9.29	13.59	6-Mth
7-day Fund	12.43	9.29	13.59	6-Mth
Dollar	6.69	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc.	11.50	8.50	12.53	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	12.00	8.97	13.36	Qtr
Mth. Int. Chq.	12.00	8.97	13.36	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	12.80	9.57	14.28	mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.70	8.74	13.00	Mth
Tyndall & Co				
29-33 Princess Victoria St, Bristol. 0272 732241				
Demand Acc	12.38	9.25	13.49	Qtr
Money Acc.	12.04	9.00	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	11.75	8.78	13.06	Mth
Over £10,000	12.00	8.97	13.36	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE 0752 24141				
High Int Chq Acc.	12.63	9.44	15.97	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect	15
Boots	24	RHM	12
Bowaters	38	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	17	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons.	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	24
Gen Electric	14	Land Secs.	26
Glaxo	100	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	60	**Oils**	
GKN	20	Brist. Oil & Min.	3½
Hanson Tst.	13	Brit Petroleum	45
Hawker Sidd.	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	33	Lonrho	12
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)					
11Oct 11Apr	Treas. 10pcCnv 1986	99¾	4.9	10.03	12.46
19 Nov 19 May	Treas 3pc 1986	98	14.10	3.07	12.57
19 Nov 19 May	Exch. 10½pc 1986	99½	24.10	10.55	12.57
12Dec 12Jun	Treas 12pc 1986	99⅞	5.11	12.01	12.20
10 Jan 10 Jul	Treas 8¾pc 1984-86‡‡	98¼	4.12	8.62	12.32
29 Apr 29 Oct	Exch. 14pc 1986	101¾	23.9	12.84	11.98
21 May 21 Nov	Exch. 2½pc 1986	95¾	15.10	2.61	8.51
22Jul 22Jan	Exch. 13¼pc 1987	101⅞	16.12	13.09	11.78
10 Aug 10 Feb	Treas 10¼pcCv '87	98¼	6.1	10.38	11.64
24Aug 24Feb	Exch 2½pc 1987	94⅞xd	20.1	2.65	8.42
6Oct 6Apr	Exch. 10½pc 1987	98¾	2.9	10.63	11.69
1 Nov 1 May	Funding 6½pc '85-87‡‡	95½	25.9	6.81	10.63
12Dec 12Jne	Treas. 10pc 1987	98¾	5.11	10.18	11.44
14Jan 14Jly	Treas 3pc 1987	92¼	9.12	3.23	8.67
3May 3Nov	Treas. 12pc 1987	100¾	27.9	11.91	11.45
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	94¾	20.12	8.18	10.83
10Nov 10May	Exch 10½pc '88	98½	4.10	10.65	11.21
14Dec 14Jne	Treas 9¾pc Cv '88	97⅛	7.11	10.05	11.23
1Jan 1Jul	Transport 3pc '78-88	88¼	25.11	3.40	8.63
25 Apr 25 Oct	Treas. 9½pc '88	96	18.9	9.89	11.25
22 Aug 22 Feb	Treas 11½pc 1989	100⅞xd	16.1	11.41	11.17
18 Oct 18 Apr	Treas 9½pc Cnv. '89	95½	11.9	9.93	11.17
15Nov 15May	Treas 3pc 1989	84⅛	9.10	3.56	8.74
14Dec 14Jun	Treas 10½pc 1989	98¾	7.11	10.67	11.08
1Feb 1Aug	Exch 10pc 1989	97	27.12	10.31	11.08
29 Mar 29 Sep	Exch 11pc 1989	99⅞xd	20.2	11.01	11.05
15 Apr 15 Oct	Treas 5pc 1986-89	86	9.9	5.81	9.64
15 May 15 Nov	Exch 10¼pcCv '89	98¼	—	10.43	10.81
15 Jul 15 Jan	Treas 13pc 1990‡‡	106¼	9.12	12.25	11.00
12 Aug 12 Feb	Exch 11pc 1990‡‡	100	6.1	11.00	10.99
22 Sep 22 Mar	Exch. 12½pc 1990	104¾xd	13.2	11.93	11.04
8 Nov 8 May	Treas. 3pc 1990	80½	2.10	3.73	8.67
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	91⅜	8.11	9.03	10.81
25 Apr 25 Oct	Treas. 10pcCv 1990	96⅛	18.9	10.40	11.07
[illegible]	Exch 2½pc 1990	77	—	3.24	8.45

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Mar Jun S D	Beth Steel $8	13¼	4.11	—	—	—
Oc Ja Ap Jy	Bowater Inc	19⅞	25.11	72c	—	2.6
Ja Ap Jly O	Brown'g-Fer. 16⅔c	25⅝	17.9	64c	—	1.8
F My Au N	Brunswick	19¾	14.1	50c	—	0.7
Jan Ap Jly O	CPC Intl. 25c	38⅝	25.9	$2.20	—	4.1
Mr Je Se De	CSX Corp U.S.$1 00	24⅝	22.11	$1.16	—	3.4
Mr Jn Sp Dc	CalFed Inc $1.00	23¼xd	11.2	32c	—	1.0
Oc Ja Ap Jy	Campbell Soup 30c	35	6.1	$1.32	—	2.7
F My Au N	Caterpillar Tractor	33¼	16.10	50c	—	1.1
Jn Ap Jy Oc	Cenergy Corp. 25	347p	30.8	4c	—	0.8
Fb.My.Ag.Nv.	Chase M'htn $12.5	26¼	28.1	$2.05	—	5.5
Ap Jy Oc Ja	Chemical New York	31¼	10.12	$2.48	—	5.7
Mar Jun S D	Chesebrough-Pond's $1	28¾	26.11	$2.00	—	5.1
Mar Jun S D	Chrysler $6¼	39½	12.6	$1.00	—	1.8
My Au N F	Citicorp $4	35½	24.12	$2.26	—	4.6
Fb My Ag Nv	CityFed Fin. Corp.	945p	30.12	40c	—	3.0
F My Au N	Colgate-P. $1	23¼	22.10	$1.36	—	4.2
Mr.Ju.Se.De.	Colt Inds. $1	50⅞	10.12	$2.50	—	3.5
—	Cons Freightwys $0.625	30⅝	4.2	$1.10	—	2.6
—	Contl Illinois Corp $1	607p	—	—	—	—
—	Contl Illinois Hldgs $1	69p	3'84	—	—	—
—	Corporate Data Scnce.	53p	—	—	—	—
Jn Ap Jy Oc	Crown Zell. $5	30⅞	5.12	$1.00	—	2.3
—	Cullinet Sftwr $0.1	18⅞	—	—	—	—
—	Dawson Oil 40c	282p	—	—	—	—
Mar Jun S D	Dana Corp. $1	22¼	25.11	$1.28	—	4.1
—	Data General	32½	—	—	—	—
—	Derma-Lock Medic'l	23⅞	—	—	—	—
Mr Jn Sp Dc	Dun & Bradstreet $1	68⅞xd	17.2	$1.88	—	2.0
F My Au N	Eaton Corpn. 50c	50⅝	29.1	$1.60	—	2.3
Mar Jun S D	Exxon	35⅞	7.11	$3.60	—	7.2
MrJnSepDec	FPL Group $0.01	23¼	25.11	$1.96	—	6.6
F May Au N	Fin. Corpn. Amer. 50c	10¼	25.6	—	—	—
Jan Apr Jly O	First Chicago $5	21	3.12	$1.32	—	4.5
Mar Jun S D	Ford Motor $2	49⅞	27.1	$2.80	—	4.0
Mar Jun S D	GATX 62½c	26⅛	22.11	$1.20	—	3.3
April [illegible]	Gen. Elect. $1½	53¼	3.12	$2.32	—	3.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

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INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

MINES

Central Rand

Eastern Rand

Far West Rand

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

"Recent Issues" and "Rights" Page 16
(International Edition Page 18)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

CONSTRUCTION CONTRACTS

Cementation builds at Royal Navy and National Coal Board sites

Three **CEMENTATION COMPANIES** (Trafalgar House Group) have orders together valued at £18.5m. This includes £6.7m of colliery roadways and driveages for the National Coal Board, and £6.2m for hangars and hardstandings at RNAS, Yeovilton.

Cementation Mining has been awarded three contracts by the National Coal Board in Yorkshire and North Derbyshire. The largest of these is at the North Selby mine for 1,676 metres arch roadways and 19 junctions to be constructed from the shaft insets. In North Derbyshire, a further contract provides for 730 metres driveage of circular roadway and 2,415 metres of arched roadway at Shirebrook Colliery. Nearby at Warson Colliery, 546 metres of roadways will be enlarged and four junctions realigned.

The contract awarded to Cementation Construction by the Property Services Agency for RNAS Yeovilton, is for two hangers and auxiliary buildings. Work starts soon on this £5.5m project, while construction of £0.4m PQ concrete hardstandings and associated drainage work to the Westlands section of the air station is already under way.

A further contract to Cementation Construction is for an 1,800 metres long sea well to be built adjacent to the Rumney Moors waste disposal site for Cardiff City Council. The £750,000 earth bund containing the landfill site will be formed from imported fill materials, with site works spread over the next two summers, starting this April.

Three other contracts—for married quarters at RNAD Coulport, Dunbartonshire, industrial facilities for Proctor & Gamble at West Thurrock, and repairs to an Anglian Water Authority reservoir—account for a further £1.1m.

Heading Cementation Piling & Foundations' £4.3m contracts list is a £1.3m sub-contract for the construction of approximately 700 piles on the major bridge structures in Cementation Construction's *£16.9m A406 South Woodford to Barking Relief Road* project, contract 3.

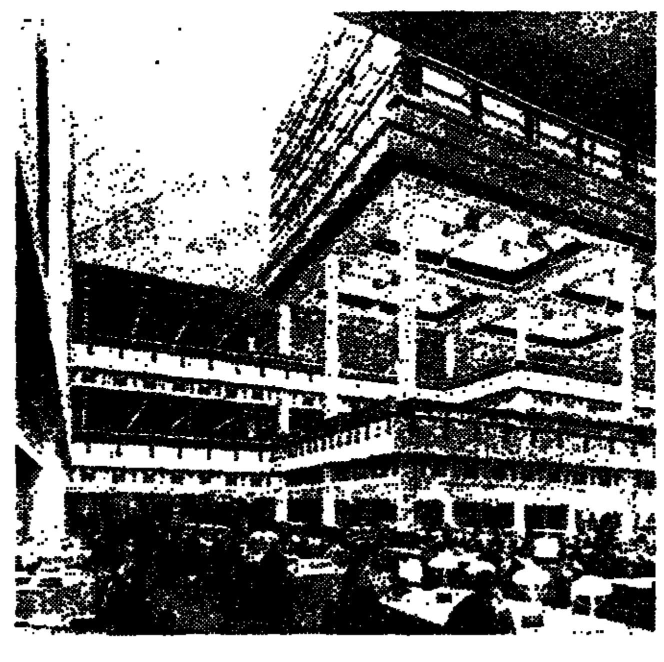
£30m orders for Sunley

Contracts totalling over £30m have been awarded to **BERNARD SUNLEY & SONS**. *Largest is in the Kings Rd, Reading, where St Martins Property Corporation has awarded Sunley Projects a £7.46m contract to build new offices and flats.* In Sutton Coldfield, Sunley has started work on construction of a new ward block to Good Hope Hospital valued at £4.35m, for the West Midlands Regional Health Authority. At Rochester Row, SW1, Sunley has a £5.65m contract by Eagle Star Properties to build a six-storey office building together with three-storey residential accommodation. A £1m contract for the refurbishment of flats and common areas at Hereford House, North Row, London, W1, is being carried out, and in Harlow, work will shortly commence *on a £2.7m contract to build retail stores and offices*, both for Sunley Holdings. Sunley *Projects are also undertaking a* £1.2m design and build contract awarded by PosTel for new units and offices at Knaves Beech, High Wycombe. Further contracts will commence shortly in Croydon and at the University of Buckingham. Sunley's special works division is engaged on a paediatric cardiac intensive care unit at Guy's Hospital, valued at £0.12m, for the Lewisham and North Southwark Health Authority and a number of further contracts currently in London include two contracts for Hilderon Investments, valued at £0.7m, for works on Prebend Mansions and Ranelagh Gardens in West London, remedial works to flats at "Denwood," Inglemere, SE23, valued at £0.17m, for the London Borough of Lewisham, and the Mission Hall at Grove Rd, E3, for the New Testament Church of God.

★

TILBURY CONSTRUCTION has been awarded orders totalling *over £1.8m. The largest is from* Buckinghamshire County Council worth £943,000 for work at *the Royal Grammar School*, High Wycombe. It involves construction of a sports and dining hall, as well as alterations to existing buildings. Work has already begun and is expected to last for 21 months.

New British Library



Work is due to start on **NORWEST HOLST'S** complex British Library *superstructure contract* at the beginning of March. With a value over £5m, the 18-month *contract is for the structural* frame of the main entrance hall with a 20 metre internal clear height, and an adjoining five-storey structure which will house the rare books reading rooms. *The intricate* involves pouring more than 18,000 cu m of insitu reinforced concrete to form the frame along with floors and roof slabs, which are generally of coffered construction. A feature of the structure is the roof area which, covering some 5,600 sq metres slopes by up to 30 degrees on several different levels. For Norwest Holst, this represents one of the most *challenging elements of the contract*, as a complicated network of angled lightweight concrete beams must first be constructed before the site cast lightweight concrete roof slabs can be positioned. Where this covers the open entrance hall, an elaborate falsework system will be installed. The superstructure forms the bulk of all above ground construction on the first stage of the British Library project, which is due to be completed by the end of 1990. Client for the scheme is the Property Services Agency with Laing acting as management contractor for all construction works.

City of London office project

The Corporation of the City of London and its project management consultant, Machurst, have awarded ***LOVELL FARROW* CONSTRUCTION** a £5.85m contract to build a seven-storey office building to be known as Guildhall House at 81-87, Gresham St, to provide about 41,000 *sq ft of air-conditioned space.* The new offices are a direct commercial development by the Corporation's *private estate.*

The ground floor will be clad in granite. Above ground level there will be an *ornate* stucco reproduction of the facade of the building that previously occupied the site. *This* will be supported on steel-frame with hollow rib decking and solid concrete floors. The roof will be a flat mansard with lead and slate elevations with, internally, fibre plaster ceilings, raised floors and double glazing throughout.

Construction is to take place within an 87 week programme. During the first 18 weeks, existing piled foundations are being broken out and archaeologists from the Museum of London are carrying out an investigation supported by a £70,000 grant from the Corporation. Evidence of structures of Roman and Mediaeval origin have already been found.

★

The property division of **TRY CONSTRUCTION**, Uxbridge, has two development schemes in the Home Counties, worth over £4m. At Tolpits Lane, Rickmansworth, Try is building two high tech pavilions and two single-storey warehouse units in a 40,000 sq ft scheme. In Church Rd, Croydon, four office units of about 2,500 sq ft each are to be built in traditional yellow stock brick to blend in with the surrounding buildings. The building work at both locations will be undertaken by W. S. Try.

Contracts and Tenders

Legal Notices

Company Notices

Clubs

Company Notices

INSURANCE

Miboc proposals strike right balance

BY ERIC SHORT

WHEN a set of proposals is attacked from all sides, this can indicate either that it is unworkable or that it strikes about the right balance.

In December, the Marketing of Investments Board Organising Committee (Miboc), the body handling the marketing aspects of investor protection, issued proposals for the control *of life assurance and unit trust* salesmen and the disclosure of commissions. These were:

● *That they should* operate either as company representatives selling only the products of *their* host company, or as independent intermediaries. This was known as the purist approach.

Miboc accepted that at present there was a variety of people selling life assurance in the so-called "middle ground" who would not fit readily into either category, such as accountants, solicitors, estate *agents and smaller building* societies. It sought views on whether some form of middle *ground category could continue.*

● The second proposal was that commission disclosure would be *required for independent intermediaries* before final completion of a sale, but no disclosure would be required for company representatives.

However, if there were an industry-wide voluntary commissions agreement, then intermediaries remunerated by this scale would need only disclose this fact—dubbed the "soft" disclosures. Otherwise they would have to make a full, or hard, disclosure of commission received.

Miboc's aim was to stop salesmen professing or implying that they were independent when they were not, and to reduce the temptation for intermediaries to recommend the contracts of a life company simply because they carried a higher than normal commission.

Last week Miboc was sorting through the responses to these proposals. None of the replies that have been published agree totally with the proposals. Many criticise some *aspects* as too harsh or not going far enough.

The hard line of categorisation of salesmen came from the British Insurance Brokers' Association, the trade body of registered insurance brokers. Its members are already subject to regulations and it has been campaigning for all salesmen or organisations professing to give independent advice to be *regulated*.

So it wants full polarisation with no middle *ground* whatever, thus swiping at its two *bete noires*—building societies and tied agents. The latter are agents tied to a particular life company but able under certain circumstances to sell other companies' products.

The opposite line is taken by Abbey Life and other life companies which have tied agent sales forces.

Abbey Life claims that the proposals add up to a serious case of *over-kill* and will reduce the total market for life assurance while providing insignifi*cant improvements in* investor protection. It urges the retention of the middle ground.

The supporters of tied agents claims that all that is necessary is for the salesman to explain clearly his role in that he only deals with certain life companies. Biba argues, however, that the public is completely misled when the salesmen refer to more than one company.

The Association of British Insurers, the trade association of insurance *companies*, takes a softer line, but nevertheless its message is clear. Existing methods of selling life assurance which can be adequately controlled by conduct of business *rules* should not be uprooted overnight.

The Building Societies Association defends strongly its members' right to continue as before. It claims that the key issue in selling is honest, open disclosure.

On commissions, opinions vary from full disclosure to none at all. The fear associated with any disclosure is that the size of the commission payment will frighten off clients, or lead to negotiations for rebate of part of the commission.

This is the argument used by the *Linked Life Assurance* Group. It claims that the proposals will result in an imposed commissions *agreement by default* in contradiction to the Government's claim that it wants *commission* rates to be determined by the market.

In contrast, the Consumers' Association and the Office of Fair Trading wants full disclosure by all salesmen. The OFT asserts that the claims made that sales would fall if commissions were disclosed are exaggerated.

Biba accepts that company representatives should be exempt from disclosure on practical grounds but not on principle. *It wants the insurance* companies to register total remuneration levels for company *representatives.*

Since the proposals are obviously not unworkable, then judging from the wide range of the criticisms, Miboc has got it about right.

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WORLD STOCK MARKETS

AUSTRIA

1985 6 High	Low	Feb. 21	Price Sch %
2,448	2,150	Credit'stalt pp*	2,280
3,850	3,075	Goesser.*	3,610
15,100	13,800	Interunfall*	14,000
21,000	20,005	Jungbunzlauer*	21,000x
2,470	1,950	Laenderbank*	2,100
805	555	Perlmooser	696
225	144	Steyer-Daimler	162
10,150	9,350	Veitscher Mag*	9,400

BELGIUM/LUXEMBOURG

1985 6 High	Low	Feb. 21	Price Frs.
2,810	1,750	B.B.L.	2,810
11,100	0,750	Banq. Gen. Lux	11,000
10,000	5,440	Banq. Int. A. Lux	10,000
9,900	4,380	Bekaert	9,600
3,850	2,260	Ciment CBR	3,850
287	152	Cockerill	167
9,500	5,530	Delhaize	9,300
4,750	2,770	EBES	4,680
13,800	8,000	Electrobel	13,800
2,380	1,855	Fabrique Nat	2,150
6,810	2,856	GB Inno BM	6,210
2,890	1,885	GBL (Brux)	2,890
5,490	3,030	Generale Bank	5,490
5,800	3,575	Gevaert	5,800
7,390	5,170	Hoboken	6,800
3,800	2,025	Intercom	3,730
22,600	7,680	Kredietbank	12,100
[illegible]	[illegible]	[illegible]	[illegible]

SWEDEN

1985/6 High	Low	Feb. 21	Price Kroner
[illegible]	[illegible]	[illegible]	[illegible]

FRANCE

1985/6 High	Low	Feb. 21	Price Frs.
[illegible]	[illegible]	[illegible]	[illegible]

SWITZERLAND

1985/6 High	Low	Feb. 21	Price Frs.
[illegible]	[illegible]	[illegible]	[illegible]

GERMANY

1985/6 High	Low	Feb. 21	Price Dm
[illegible]	[illegible]	[illegible]	[illegible]

NETHERLANDS

1985/6 High	Low	Feb. 21	Price Fls
[illegible]	[illegible]	[illegible]	[illegible]

SINGAPORE

1985/6 High	Low	Feb. 21	Price $
[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICA

1985/6 High	Low	Feb. 21	Price Rand
[illegible]	[illegible]	[illegible]	[illegible]

AUSTRALIA

1985/6 High	Low	Feb. 21	Price Aust. $
[illegible]	[illegible]	[illegible]	[illegible]

HONG KONG

1985/6 High	Low	Feb. 21	Price H.K.$
[illegible]	[illegible]	[illegible]	[illegible]

ITALY

1985/6 High	Low	Feb. 21	Price Lire
[illegible]	[illegible]	[illegible]	[illegible]

NORWAY

1985/6 High	Low	Feb. 21	Price Kroner
[illegible]	[illegible]	[illegible]	[illegible]

DENMARK

1985/6 High	Low	Feb. 21	Price Knr. %
[illegible]	[illegible]	[illegible]	[illegible]

JAPAN

1985/6 High	Low	Feb. 21	Price Yen
[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

1985/6 High	Low	Feb. 21	Price Pta %
[illegible]	[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices February 21

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

t—No voting rights or restricted voting rights.

MONTREAL

Closing prices February 21

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 4,690,354 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices February 21*

Continued from Page 27

Stock	Sales (Hods)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEW YORK INDICES

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	Feb. 14	1985/86 High	Low	Since Cmp' High	Low
DOW JONES									
Industrials	[illegible]								
H'me Bnds.	[illegible]								
Transport	[illegible]								
Utilities	[illegible]								
STANDARD AND POORS Composite	[illegible]								
Industr'ls	[illegible]								
Financials	[illegible]								
N.Y.S.E. COMPOSITE	[illegible]								
AMEX MKT. VALUE	[illegible]								
NASDAQ OTC COMP.	[illegible]								

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	1985-86 High	Low
AUSTRALIA All Ord. (1/1/80)	[illegible]					
Metals & Mins. (1/1/80)	[illegible]					
AUSTRIA Credit Aktien (2/1/62)	[illegible]					
BELGIUM Brussels SE (1/1/80)	[illegible]					
DENMARK Copenhagen SE (3/1/83)	[illegible]					
FRANCE CAC General (31/12/80)	[illegible]					
Ind Tendance (31/12/85)	[illegible]					
GERMANY FAZ Aktien (31/12/58)	[illegible]					
Commerzbank (1/12/53)	[illegible]					
HONG KONG Hang Seng Bank (31/7/64)	[illegible]					
ITALY Banca Comm Ital. (1972)	[illegible]					
JAPAN** Nikkei (16/5/49)	[illegible]					
Tokyo SE New (4/1/68)	[illegible]					
NETHERLANDS ANP-CBS General (1970)	[illegible]					
ANP-CBS Indust (1970)	[illegible]					
NORWAY Oslo SE (4/1/83)	[illegible]					
SINGAPORE Straits Times (30/12/66)	[illegible]					
SOUTH AFRICA JSE Gold (28/9/78)	[illegible]					
JSE Indust (28/9/78)	[illegible]					
SPAIN Madrid SE (30/12/85)	[illegible]					
SWEDEN Jacobson & P (31/12/56)	[illegible]					
SWITZERLAND Swiss BankCpn (31/12/58)	[illegible]					
WORLD M.S. Capital Intl. (1/1/70)	[illegible]					

DIVIDEND YIELDS	Feb. 14	Feb. 7	Jan. 31	Jan. 24	year ago (approx)
Dow Industrial	[illegible]				
S and P Industrial	[illegible]				
S and P ind P/E ratio	[illegible]				

TRADING ACTIVITY

[illegible]			

CANADA

	Feb. 21	Feb. 20	Feb. 19	Feb. 18	1985/86 High	Low
TORONTO Metals & Minerals	[illegible]					
Composite	[illegible]					
MONTREAL Portfolio	[illegible]					

** Saturday February 22 Japan Nikkei 13,433.21, TSE 1,072.17.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
[illegible]							

NEW YORK CLOSING PRICES

Continued from Page 27

[illegible]						

Closing prices, February 21

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
20⅛	10⅝	AAR s			18	361	20⅛	19⅝	19⅝	−⅜
25⅜	10¼	AGS			18	127	25	24¾	24¾	−½
14	9⅞	AMCA				10	11⅞	11¾	11¾	−⅛
52¾	37½	AMR			9	6983	52¼	51¼	52⅛	+¾
24¾	18⅝	AMR pf	2.18	8.7		411	u25⅜	24½	25	+½
25⅜	23¼	ANR pf	2.67	11.		2	24⅜	24⅜	24⅜	+⅛
22	19	ANR pf	2.12	10.		2	20¼	20¼	20¼	−¼
12½	7⅜	APL			7	44	11¾	11⅜	11½	−⅜
16¾	10⅝	ARX			13	84	14¾	14⅝	14⅝	−⅛
55⅜	32¾	ASA	2a	5.3		858	38⅛	37⅝	37⅝	−½
25⅛	10½	AVX		1.8		892	18⅜	17⅞	17⅞	−⅝
28⅛	20⅝	AZP	2.72	9.7	7	1459	28⅛	27½	28	+½
72	46¾	AbtLab	1.40	2.1	17	3358	67¾	66½	66⅞	−⅝
30⅛	19⅝	AccoWd	.50	1.7	21	738	29½	29¼	29½	+½
24¾	10	AcmeC	.40	3.1	18	57	12⅞	12⅝	12¾	−⅛
10⅛	7	AcmeE	.32b	3.5	17	58	9¼	8⅞	9¼	+⅜
19¾	16⅛	AdaEx	1.90e	10.		118	18⅜	18⅛	18¼	+⅛
24⅝	14	AdmMl	.40	1.6	11	103	u25	24½	24⅞	+¼
19¾	8¾	AdvSys	1.36t	6.8	18	423	u20¼	19¼	20⅛	+⅜
34	22⅞	AMD				2875	32⅞	32¼	32½	+¼
12⅝	10	Adobe n				30	10⅛	10	10	
18⅜	14⅝	Adob pf	1.84	11.		15	16⅛	16	16⅛	+⅛
18½	15¼	Adob pf	2.40	13.		55	18½	18¼	18½	
17	8⅛	Advest	.12a	.7	15	363	16⅝	16⅛	16¼	
61⅜	39⅛	AetnLf	2.64	4.3	16	2422	61⅜	60¼	61¼	+1¼
57½	52½	AetL pf	5.19e	9.7		146	53⅞	53¾	53¾	−⅛
68¼	27¼	Ahmns	1.20	1.8	8	2043	66⅜	64⅞	65	−1
4⅜	2½	Aileen			181	66	3¾	3⅝	3⅝	+⅛

Continued on Page 27

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 26

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
87 1/4	66	WisE pf7 75		8 8		z4130	u91 3/4	88	88 1/2	+ 1 1/2
26 3/4	23 1/2	WisG pf2.55		9.7		1	26 1/4	26 1/4	26 1/4	
45 1/2	28 1/8	WiscPL2.84		6.3	11	82	45 5/8	45	45	- 1/8
44 3/4	29 3/4	WiscPS2.86		6.4	10	493	u45 1/2	44 3/4	44 7/8	+ 3/8

Continued on Page 25

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, February 21

[illegible]

OVER-THE-COUNTER

Nasdaq national market, Closing prices, February 21

[illegible]

Continued on Page 25

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Mood changes as fears grow

BY COLIN MILLHAM

The mood on the foreign exchanges began to change towards the end of last week. Since the Group of Five meeting in New York in late September the dollar has been on a downward course, encouraged by the US authorities and central banks in general.

The market fears this process may be coming to an end, but cannot yet see the level at which the dollar will stabilise.

Politics has become such a dominant force that dealers simply react to every comment and statement coming out of Washington and Tokyo. It is noticeable that much less notice is being taken of US statistics at present.

Officials appear to agree that the US trade deficit must be cut —it reached a record $17.4bn in December—and that it would be desirable to have lower interest rates around the world. But here the agreement ends and the different branches of the executive have different ideas on what should happen next. The two camps divide between the finance ministries in Washington and Tokyo on one side and the central banks on the other.

This is a classic example of politicians feeling they have the right to govern, and central bank governors asserting their right to independence.

Mr James Baker, US Treasury Secretary, argues that the weaker dollar will stimulate industrial output, and cut the trade deficit. Mr Noboru Takeshita, Japanese Finance Minister, tends to agree, because he fears the protectionist lobby in the US Congress will gain the upper hand, unless the trade imbalance in favour of Japan is trimmed back.

At the same time, mindful of criticism at home from the rise of the yen, Mr Takeshita has called for a cut in the Bank of Japan's discount rate, and has given consideration to easing regulations on capital outflows. This would further extend the process by which the US buys Japanese goods, and Japan buys US Government debt to provide finance.

On the other hand Mr Paul Volcker, US Federal Reserve Board chairman, in an address to Congress last week, warned of a "debilitating and self-defeating cycle of external depreciation and internal inflation."

This left the market in little doubt about Mr Volcker's view about a further fall in the dollar and a cut in the US discount rate, to stimulate the economy.

Mr Satoshi Sumita, Governor of the Bank of Japan, obviously fears overheating in the Japanese economy, telling parliament last week the central bank was not considering a cut in the discount rate at this time, and was still assessing the results of the last reduction in January. 30.

The German Bundesbank has similar misgivings about cutting interest rates. The economy is forecast to grow by 4 per cent this year, and inflows into the D-mark have already put upward pressure on money supply.

Rather than cut interest rates, and fuel inflation, the changing mood in the market indicates fear the Bank of Japan and Bundesbank will intervene if dealers try to establish a trading range for the dollar below Y180 and DM 2.30.

The reason intervention has not already occurred must be partly fear of the reaction from the Reagan Administration, but at least the central banks, including the Federal Reserve, would all be in agreement.

£ IN NEW YORK

Close	Feb. 21	Prev. close
£ Spot	$1.4545-1.4555	$1.4500-1.4515
1 month	0.52-0.61pm	0.51-0.49pm
3 months	1.59-1.56pm	1.53-1.49pm
12 months	5.02-4.92pm	4.93-4.90pm

Forward premiums and discounts apply to the U.S. dollar

CURRENCY MOVEMENTS

Feb. 20	Bank of England Index	Morgan Guaranty Change %
Sterling	74.6	−17.1
U.S. dollar	119.2	+10.0
Canadian dollar	79.4	−11.7
Austrian schilling	135.1	+6.9
Belgian franc	94.0	−8.4
Danish Kroner	84.9	−1.8
Deutsche mark	133.6	[illegible]
Swiss franc	154.9	[illegible]
Guilder	133.0	[illegible]
French franc	71.3	−10.8
Lira	46.1	[illegible]
Yen	190.3	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

Feb. 21	£	$
Arg'tina	1.1568-1.1591	0.8000-0.8010
Aus'alia	2.0530-2.0570	1.4234-1.4249
Brazil	19,260-19,366	13,320-13,365
Finland	7.52 0-7.5354	5.2080-5.2110
Greece	204.96-205.86	142.00-142.50
H'kong	11.2825-11.3025	7.8050-7.8050
Iran	117.0*	81.95*
Kuwait	[illegible]	[illegible]
Lux'bourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
N'Zland	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Sing'pore	[illegible]	[illegible]
S.Af.(Cm)	[illegible]	[illegible]
S.Af.(Fn)	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

* Selling rate.

CURRENCY RATES

Feb. 21	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.785663	0.647390
U.S.$	7½	1.13460	0.933860
Canadian $	12.10	*	1.29900
Austria Sch.	4	16.4322	15.2032
Belgian Fr.	9¾	53.8235	44.3140
Danish Kr.	7	9.70848	7.98497
D'mark	4	2.62693	2.16403
Guilder	5	2.96889	2.44475
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norway Kr.	[illegible]	[illegible]	[illegible]
Spain Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Drch	[illegible]	[illegible]	[illegible]
Irish Punt	—	N/A	0.715601

* CS/SDR rate for Feb 20: N/A.

POUND SPOT—FORWARD AGAINST POUND

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	[illegible]	1.4465-1.4475	0.53-0.50c pm	4.27	1.59-1.54 pm	4.32
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible]. 12-month [illegible].

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.4470	1.4419	1.4314	1.4167	1.3871
D-Mark	3.34	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	10.28	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	2.80	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	264.75	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.3140	−1.16	+1.18	±1.5425
Danish Krone	8.12857	7.98497	−1.77	+0.57	±1.6421
German D-mark	2.23840	2.16403	−3.32	−0.98	±1.1455
French Franc	6.96402	6.64441	−3.20	−0.86	±1.3654
Dutch Guilder	2.52208	2.44475	−3.07	−0.73	±1.5782
Irish Punt	0.724578	0.715601	−1.24	+1.10	±1.6673
Italian Lira	1520.60	1472.0	−3.20	−2.19	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4470	1.4419	1.4314	1.4167	1.3871

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	—	—	[illegible]
Sept	[illegible]	—	—	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	—	—	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	—	—	[illegible]
Dec	[illegible]	—	—	[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

IMM—STERLING $ per £

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls [illegible], Puts [illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

Strike price	Calls—Last March	April	May	June	Sept	Puts—Last March	April	May	June	Sept
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated total volume [illegible]. Previous day's open int: Calls [illegible], Puts [illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last March	April	May	June	Sept	Puts—Last March	April	May	June	Sept
1.20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.25	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.30	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.35	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.40	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.45	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Previous day's open int: Calls n.a., Puts n.a.

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

Strike price	Calls—Last March	June	Sept	Vol	Puts—Last March	June	Sept	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Previous day's open int: Calls [illegible], Puts [illegible]. Previous day's volume: Calls [illegible], Puts [illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]. Basis quote (clean cash price of 13¾% Treasury 2004-08 less equivalent price of near futures contract) [illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

US TREASURY BONDS $100,000 32nds of 100%

	Close	High	Low	Prev
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume — (—). Previous day's open int [illegible]

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Feb 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	2.2595-2.3290	2.3070-2.3080	0.63-0.58pf pm	3.13	2.01-1.96 pm	3.42
Portugal	151-151¾	151-151½	250-650c dis	−35.70	800-1450dis	−27.10
Spain	145.00-146.55	145.30-145.40	40-80c dis	−4.13	190-240 dis	−5.89
Italy	1565.5-1583.5	1575-1576	12-13lire dis	−9.48	39-40 dis	−9.99
Norway	7.18-7.26	7.18½-7.19½	2.70-3.10ore dis	−4.82	9.10-9.50dis	−5.15
France	7.0725-7.1450	7.0895-7.0905	2.10-2.60c dis	−3.96	10.25-11.0dis	−5.96
Sweden	7.31½-7.37¾	7.31¾-7.32¼	2.25-2.55ore dis	−3.92	6.25-6.75dis	−3.53
Japan	182.15-184.40	182.85-182.95	0.23-0.20y pm	1.40	0.86-0.82 pm	1.83
Austria	16.16¼-16.34¼	16.26¾-16.27¾	2.10-1.40gro pm	1.29	6.00-3.50 pm	1.16
Switz.	1.9240-1.9420	1.9340-1.9350	0.63-0.58c pm	3.75	1.96-1.91 pm	3.98

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 47.70-47.80.

EXCHANGE CROSS RATES

Feb 21	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1000.	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Feb. 21	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	12⅜-12¾	12⅝-12¾	12 11/16-12 13/16	12½-12⅝	12 7/16-12 9/16	11 15/16-12 1/16
U.S. Dollar	7½-7⅞	7 13/16-7⅞	7⅞-8	7⅞-8	7⅞-8	8-8⅛
Can Dollar	12½-13	12⅝-12⅞	12½-12¾	11½-11¾	10 13/16-11 1/16	10 5/16-10 9/16
D Guilder†	5¼-5 11/16	5¼-5½	5¼-5½	5¼-5½	5¼-5½	5¼-5½
Sw. Franc	¾-1	9⅝-9⅞	4-4⅛	3¾-4⅛	3¾-4¼	3⅞-4
Deutschmrk	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
Fr. Franc	8½-8⅝	8⅞-9⅛	12-12¼	13¾-14	12⅞-13⅛	12-12¼
Italian Lire	13¾-14¾	15⅛-17½	17-18	17¼-18	16⅛-17	15⅝-16
B.Fr.(Fin)	9¾-10	9⅛-9¾	9⅝-9⅞	9⅝-9⅞	9⅝-9⅝	9-9¼
B.Fr (Con)	9¼-9¾	9¾-10¼	10-10½	10⅛-10⅝	9¾-10¼	9⅛-9⅝
Yen	6½-6⅝	6 11/16-6 13/16	6 7/16-6½	6 7/16-6⅛	5⅞-6	5¾-5⅞
D. Krone	7-7½	7⅛-8	7⅞-8⅜	8¼-8¾	8¼-8¾	8¼-8¾
Asian $ (Sng)	7⅞-8	7⅞-8	7⅞-8	7⅞-8	7⅞-8	8-8¼

Long-term Eurodollars: two years 8 3/16-8½ per cent; three years 8¼-8⅝ per cent; four years 8¾-9 per cent; five years 8⅞-9⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.
† Correction 2 — D Guilder rates for Feb 20 were: SH 5¾-5⅞, 7D 5 11/16-5 13/16, 1m 5 11/16-5 13/16, 3m 5 11/16-5 13/16, 6m 5 11/16-5 13/16 and 1Y 5 11/16-5 13/16.

MONEY MARKETS

Rates ease but caution remains

Interest rates fell on the London money market last week. Dealers were encouraged by the strength of sterling against all currencies, but particularly the dollar, and were also pleased with the January UK public sector borrowing requirement.

Seasonal tax payments make January a good month for the PSBR, but City economists were expecting a repayment figure of less than *half* the published £4.5bn. A PSBR for the full financial year about £1bn less than the Government's target of £8bn is now a strong possibility.

This was the third time the experts had been pleasantly confounded this month, following surprises over the monthly money supply figures and currency reserves.

Together these events spurred optimism about the direction of London interest rates, but did no more than build up hopes that the next move in base rates would be down, rather than up.

UK clearing banks base lending rate 12½ per cent since January 9

Three-month interbank fell from 12¾ per cent to 12 7/16 per cent, before firming again towards the end of the week, as sterling eased back against a recovering dollar.

Dealers will have the Budget on March 18 in mind as a likely time for lower base rates, but the authorities are likely to remain very cautious. A rise in the value of sterling against the dollar, at a time of falling oil prices, reduces government revenue from the North Sea. Opec ministers meet to review the oil situation on March 15.

Sterling has not reacted to last week's fall below $15 a barrel, but if the dollar stabilises market attention may switch to the pound. Cuts in bank base rates and falling oil prices are not a recipe for a strong UK currency.

NEW YORK

(4 pm)

Prime rate	9½
Broker loan rate	8¾
Fed funds	7¾
Fed funds at intervention	7 13/16
Treasury Bills & Bonds	
One month	7.02
Two month	7.13
Three month	7.18
Six month	7.42
One year	7.56
Two year	7.93
Three year	8.04
Four year	8.11
Five year	8.22
Seven year	8.39
10 year	8.47
30 year	8.72

BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 21	Feb. 14		Feb. 21	Feb. 14
Bills on offer	£100m	£100m	Top Accepted rate of discount	12.0530%	12.1132%
Total of applications	£469m	£391m	Average rate of discount	12.0390%	12.0838%
Total allocated	£100m	£100m	Average yield	12.40%	12.46%
Minimum accepted bid	£96.995	£96.98	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	100%	29%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb. 21	change		Feb. 21	change
LONDON			**NEW YORK**		
Base rates	12½	Unch'd	Prime rates	9½	Unch'd
7 day interbank	12 9/16	−⅛	Federal funds	7¾	−⅛
3mth interbank	12 7/16	−1/16	3 Mth. Treasury Bills	7.27	+0.28
Treasury Bill Tender	12.0390	−0.0448	6 Mth. Treasury Bills	7.46	+0.39
Band 1 Bills	12⅜	Unch'd	3 Mth. C D	7.67	−0.03
Band 2 Bills	12 5/16	Unch'd	**FRANKFURT**		
Band 3 Bills	12¼	Unch'd	Lombard	5.5	Unch'd
Band 4 Bills	12 3/16	Unch'd	One Mth. Interbank	4.25	−0.075
3 Mth. Treasury Bills	12 11/16	−1/16	Three month	4.425	−0.05
1 Mth. Bank Bills	12⅜	Unch'd			
3 Mth. Bank Bills	12 5/16	−⅛	**PARIS**		
			Intervention Rate	8¼	−¼
TOKYO					
One month Bills	5.96875	−0.0625	One Mth. Interbank	8⅝	−⅛
Three month Bills	5.90625	−0.125	Three month	8 7/16	−1/16
BRUSSELS			**MILAN**		
One month	9¾	Unch'd	One month	17 1/16	Unch'd
Three month	9¾	−1/16	Three month	16 5/16	+¼
AMSTERDAM			**DUBLIN**		
One month	5¾	Unch'd	One month	—	—
Three month	5¾	Unch'd	Three month	—	—

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

Feb. 21	Ovr'nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.5 4.6	4.2-4.3	4.35-4.45	4.35 4.50	4.40 4.55	5.5
Paris	8½	8 7/16 8 11/16	8 7/16-8 11/16	8⅜-8¼	8 5/16-8 7/16	8½
Zurich	⅞-1½	3⅞-4	—	3⅞-4	—	—
Amsterdam	5 11/16 6	5¾-5 13/16	—	5¾-5 13/16	—	—
Tokyo	6.71875	5.96875	—	5.90625	—	—
Milan	16⅞-17¼	16⅞-17¼	—	16-16⅛	—	—
Brussels	10.15	9⅝-9⅞	—	9⅝ 9⅞	9¼-9½	—
Dublin	—	—	—	—	—	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 21)

Three months U.S. dollars		Six months U.S. dollars	
bid 7 7/8	offer 8	bid 7 7/8	offer 8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Feb. 21	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-14	12⅝-12 11/16	12 11/16-12 13/16	12½-12 11/16	12 7/16-12¼	11 15/16-12 1/16
Sterling CDs	—	—	12⅝-12½	12 7/16-12 5/16	11⅞-12	11¾-11⅝
Local Authority Depos	12⅝	12⅝-12¾	12 11/16	12½	12⅛	11 11/16
Local Author'y Bonds	—	—	15 5/16	12⅞	12½	12 5/16
Discount Mkt Depos.	10-12½	12½	12⅝	12¼	—	—
Company Depos.	12½-13	12⅞-13	12⅞	12¾	—	—
Finance Hse Depos.	—	—	12 11/16	12⅝	12⅝	12
Treasury Bills (Buy)	—	—	12⅜	12⅛	—	—
Bank Bills (Buy)	—	—	12 11/16	12 5/16-12⅛	11⅞	—
Fine Trade Bills (Buy)	—	—	12 11/16	12⅜	—	—
Dollar CDs	—	—	7.75-7.80	7.75-7.80	7.75-7.80	7.95-8.00
SDR Linked Depos	—	—	7⅞ 8⅛	8⅛-8⅜	7 15/16-8⅛	7¾-8
ECU Depos	—	—	9½-9⅝	9 11/16-10⅛	9⅝-9 11/16	9⅛-9¼

Treasury Bills (sell): one-month 12¼ per cent; three-months 12 per cent. Bank Bills (sell): one-month 12⅝ per cent; three-months 12 per cent. Treasury Bills: Average tender rate of discount 12.0390 per cent. ECGD Fixed Finance Scheme IV reference date January 8 to February 4 (inclusive): 13.077 per cent.
Local authority and Finance Houses seven days' notice, other seven days' fixed. Finance Houses Base Rates, 12½ per cent from February 1 1985. Bank Deposit Rate for sums at seven days' notice 6 6¾ per cent. Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 12½ per cent; one-three months 12¾ per cent; three-six months 12½ per cent; six-nine months 12¼ per cent; nine-12 months 12¼ per cent. Under £100,000 11¼ per cent from February 19. Deposits held under Series 5 12¾ per cent. Deposits withdrawn for cash 7½ per cent.

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SECTION III
FINANCIAL TIMES SURVEY

NIGERIA

Part One
Part Two appears next Monday

● NIGERIA'S NEW PRESIDENT, Maj. Gen. Ibrahim Babangida, above, and behind him the seven other leaders of the nation since independence. These leaders (from left to right) and the years they came to power were: Sir Abubakar Tafawa Balewa, 1960, killed in a coup; Maj. Gen. Johnson Aguiyi-Ironsi, 1966, killed in a counter-coup; Gen. Yakubu Gowon, 1966, later deposed; Gen. Murtala Ramat Muhammed, 1975, assassinated in 1976; Lt. Gen. Olusegun Obasanjo, 1976; Alhaji Shehu Shagari, 1979, deposed in 1983; Maj. Gen. Muhammadu Buhari, 1983, deposed August, 1985.

With oil prices at recent lows and the national economy in recession, Nigeria faces one of its most testing years since independence in 1960

Debt crunch ahead

FOUR YEARS after the slump in international oil prices first began to take its toll on Nigeria, the crunch is now upon Africa's most populous nation and one of Europe's most important trading partners on the continent.

Margins for manoeuvre have been steadily eroded. Creditors will not allow a further accumulation of trade arrears (now some $5-6bn), a form of enforced borrowing which has allowed the Government to meet medium and long-term debt servicing commitments. Industry is now coming to an end of the run down in stocks; plant and equipment need replacement; and the sector is operating at barely 30 per cent of capacity.

By MICHAEL HOLMAN
Africa Editor

The drastic cut in import levels from a peak of $21bn in 1981 to a forecast $7bn this year has prumed the supply of essential raw materials and equipment almost to the limit. On top of all this comes the recent dramatic slump in the price of oil, which accounts for over 95 per cent of export earnings.

The uncomfortable fact that faces the Military Government of President Ibrahim Babangida is that unless agreement is reached to reschedule the country's crippling $19bn external debt, it will almost certainly be forced to default in the coming year.

Yet such rescheduling raises one of the most sensitive issues in Nigeria today—the role of the International Monetary Fund (IMF) in the country's economic reconstruction programme. Creditors insist that an agreement with the fund is a precondition to rescheduling. But so passionate was the public rejection of such a role, discussed in a one sided national debate in the latter part of last year, that President Babangida announced the suspension of negotiations with the IMF in a public broadcast last December.

The Government's willingness to consult the public on most major issues, which is one of its most attractive features, has also left it more vulnerable than any military government in Nigeria's turbulent 25 years of independence to public opinion. And there lies the challenge that President Babangida faces today: how can he follow through the economic adjustment programme begun in the 1986 budget, and whose logical conclusion would require a devaluation and some form of accommodation with the IMF, without running the risk of alienating many of his supporters?

In some important respects President Babangida has fulfilled the promises he made when he and fellow officers overthrew General Muhammadu Buhari in a bloodless coup on August 27. A government which was intolerant of criticism, harsh in its attitude to human rights, and which muzzled the press, has been replaced by an administration whose watchwords have been public consultation and accessibility.

The result has been a transformation in the national mood from one of resignation to a lively sense of participation, despite the enormity of the problems under discussion, in the process of government, encouraged by a press which is freer and more vigorous than any in black Africa.

Many detainees held on dubious or unproven grounds by the past administration have been released, the excesses of the National Security Organisation curbed, and no less than three tribunals are looking into the cases of those still held, or who were convicted of corruption by military tribunals on the basis of sometimes scanty evidence.

The President himself takes advice from a wide range of people — businessmen, civil servants and military colleagues. His own experience of government is not inconsiderable — not in the sense of technical expertise—but drawn from his membership of the Supreme Military Council which ran Nigeria from 1975 to 1979, as well as serving on the SMC headed by his predecessor, General Buhari.

IN THIS SURVEY

Photographs by ASHLEY ASHWOOD

Equally important, as some of his close associates point out, is the fact that he has played a key role in military coups over the years: the overthrow of General Gowon in 1975, in quelling the short-lived coup attempt in 1976 when General Murtala Muhammed lost his life, and in 1983 when he could, had he wanted, have led the Military Government which overthrew Shehu Shagari.

"Do not underestimate the President's shrewdness," notes one observer, "that lies underneath his amiable exterior."

It is the President's personal authority and popularity that has so far allowed him to push through measures which would otherwise have provoked an outcry—such as the cut in civil servants and defence force wages, a 20 per cent cut in overall defence spending, and a budget which among other measures slashed the subsidy on domestic petroleum.

Yet if the Government rates highly on a check list which includes human rights, press freedom and accessibility, there are a number of disconcerting developments which have aroused concern, and which create the impression of a government less certain in its handling of affairs than had originally been hoped.

One of the most striking examples was the decision to join the Islamic Conference Organisation, a move which brought protests from Christian leaders who, rightly or wrongly, feared a change in Nigeria's secular status.

The outcome has been the creation of a note of religious controversy where none had existed before. But the way in which the decision to join was taken puzzled many Nigerians, who first learnt of the development in a report by a foreign news agency which initially was denied by a senior member of the Armed Forces Ruling Council (AFRC).

The country still awaits a definitive account of the matter, which may be provided by a panel due to report later this month. Whatever its findings, the Government has severely dented its reputation as an administration which consults the country on important matters.

Equally puzzling was President Babangida's announcement earlier this month of an impending cabinet reshuffle which he did not implement for four days. The moves, when they came, were not self evidently of benefit.

Four months after his original appointment, and barely two weeks after the budget the minister of finance, Dr Kalu Kalu was shifted to planning, and the Petroleum Minister, Professor Tam David West was moved to Mines and Steel, at a time of turbulence in the international oil market.

Nor has confidence been inspired by the handling of Nigeria's counter-trade deals in which oil was swapped for goods. The policy, severely criti-

CONTINUED ON PAGE TWO

Nigeria's Minister of external affairs discusses with Michael Holman the latest round of talks on the debt issue

PROFESSOR Bolaji Akinyemi, Nigeria's minister of external affairs, is a graduate of the Fletcher School of Diplomacy and Law in the US, and holds a PhD from Oxford. The most important foreign policy mission since his appointment last September took place in January, when he visited London, Washington and Paris to win understanding and support for Nigeria's 1986 budget.

A major provision in the budget was the 30 per cent of export earnings ceiling placed on the servicing of Nigeria's external debt, marking a new direction in the Government's handling of the debt issue which is discussed in detail elsewhere in this survey.

The outcome of the visit was seen by many Nigerians as a major diplomatic success, securing backing for the rescheduling of external debt without the normal precondition of an agreement with the *International Monetary Fund.*

Western officials saw the the result differently (see main story) and maintain that a formal agreement between Nigeria and the Fund must still precede any *rescheduling despite the* merits of the 1986 budget.

QUESTION: Minister, what did you achieve as a result of your recent visit to London, Washington and Paris?

A: I think I have carved out a role for Nigeria as a key actor in an area which while primarily economic, has political overtones. The whole issue of the debt crisis has become the core of the relationship between the grouping known as North (the industrialised countries) and the South.

The kind of response I received from governments, bankers and the press on my visit confirmed that there is a serious role for Nigeria in the North-South dialogue. I think the role is not just that of a protector of its own interests, but a country that has now evolved a formula that could serve as a model for other Third World countries in terms of the debt crisis, a model in terms of the IMF and Third World countries.

We are quite capable of playing a leadership role in an issue that transcends Africa.

Q: What was the stand on the *IMF in the three western capitals* you visited?

A: In each one of them I found there were slight divergencies between political ministries and financial ministries. In Britain there was no "if or but" in the endorsement (of the budget) I received from the Foreign Office or the Prime Minister.

With Leon Brittan (the former Trade and Industry minister), yes, there was a conditionality, but it had nothing to do with the IMF. In fact, he never mentioned the IMF at all.

He said Britain was prepared for the immediate start of negotiations on new lines of credit which can be completed, but cannot be used until Nigeria's debts have been rescheduled. He never said anything about the IMF. The Treasury was the only place *where the IMF was mentioned*, and even there it was not put to me as an ultimatum—" you must agree " or else nothing.

Q: And in Washington?

A: In Washington I remember saying to Secretary of State George Schultz that what we want is a wink and a nod from you to the effect that you like what you see in the budget. He went further: he said that the US would go public with its view that we have addressed ourselves to the right questions and were going in the right direction.

"Of course, we believe that the IMF is important," he said to me, " but the important thing is the decision a government takes and you have taken the *right decision.*"

Unless I am being naive, I did not interpret that as saying that the IMF was central.

Q: And Paris?

A: Neither at the Quai d'Orsay nor the Elysee Palace were the three letters IMF mentioned. It was mentioned, however, in my meeting with officials of the Paris Club (an informal group which deals with rescheduling of government to government debt), who said they would have problems in doing a rescheduling without an IMF deal.

Q: Is not the bottom line the fact that an IMF accord has to be reached?

A: An IMF endorsement of our economic policy? Yes, but that should not be difficult. I went to create an atmosphere that would be positive to what was coming out of Nigeria.

I did not go to reschedule debt. I think I got the atmosphere we wanted.

Relations with UK on the mend

Foreign policy

MICHAEL HOLMAN

EARLIER this month the rift in Anglo-Nigerian relations was healed when President Ibrahim Babangida announced that full diplomatic links would be restored and his Government had approved the nomination of Mr Martin Ewans to fill the post of High Commissioner in Lagos, vacant since the *split* occurred in 1984. The process of nominating his Nigerian counterpart, said the President, would soon be concluded.

The quarrel between Britain and its largest trading partner *in* black Africa, and fellow-member of the Commonwealth, began with a bizarre episode in July that year.

A prominent Nigerian exile, Mr Umaru Dikko, a former minister in the Government of ex-president Shehu Shagari and wanted by the military authorities on allegations of corruption, was discovered bound, gagged and heavily sedated in a crate at Heathrow airport about to be loaded on to a Nigerian Airways plane bound *for Nigeria.*

In the furore that followed, Britain and Nigeria withdrew their respective high commissioners, and relations between *the two countries* sank *to their* lowest level for years, further exacerbated by other matters of contention.

General Muhammadu Buhari, the then military leader of Nigeria, made no secret of his resentment that Britain's Export Credits Guarantee Department (ECGD) had been prominent among Western export credit agencies in its insistence that Nigeria should reach agreement with the International Monetary Fund (IMF) before outstanding insured trade arrears (some $2bn, of which Britain's share is nearly half) could be rescheduled.

In vain ECGD officials pointed out that their attitude was shared by other Western export credit agencies: Nigeria expected better treatment, said the general, from a country thought to be a friend.

The second source of friction *lay in Nigeria's belief that* Britain's North Sea oil producers, whose product is comparable to Nigeria's Bonny Light crude, were undermining price stability in the market by cutting prices and forcing Nigeria to follow suit in order to keep its market share.

More recently, many Nigerians believe that their worst suspicions about British involvement in fraudulent trade transactions with Nigeria were confirmed by allegations of a Nigerian link with the Johnson Matthey Bank scandal. Emblazoned across the pages of the local press have been claims that the amount involved is N6.5bn, compared to British estimates of some £100m.

In the months following Gen Buhari's overthrow, however, both sides attempted to mend fences. Within two weeks of the August 27 coup Sir Geoffrey Howe, the British foreign secretary, was in Lagos, the first senior foreign visitor to be received by the new Government.

It was not an immediate success, falling short of Foreign Office hopes that it would lead to an early exchange of high commissioners.

Although *Sir Geoffrey* himself struck a conciliatory note throughout his visit, he received a sharp rebuff from Air Commodore *Larry Koinyan*, a member of the Armed Forces Ruling Council (AFRC), who *publicly raised the Dikko* affair: "Those who flout our laws and who have contributed to the suffering of our people cannot be allowed to hide behind the protection laws of our friends," he told Sir Geoffrey, *going on to* express doubts about the "sincerity and genuineness of Britain's protestations of friendship towards Nigeria."

For his part, Sir Geoffrey repeated Britain's stand on an issue which arouses *strong feelings* in Nigeria—the role of the International Monetary Fund (IMF) in the country's efforts to revive its flagging economy. "Without an agreement with the IMF," said Sir Geoffrey, "it must inevitably be more difficult for Nigeria's friends to help as much as they would wish." A Fund agreement, he pointed out, would "open the way to new credits" and offered Britain's help to "ease Nigeria's path" in negotiations.

There matters appeared to stand, until early this year when Professor Bolaji Akinyemi, Minister of External Affairs, held talks in London with Mrs Thatcher, Sir Geoffrey and senior Government officials, in the course of an overseas tour which also took him to Washington and Paris.

Britain's Foreign Secretary, Sir Geoffrey Howe with President Babangida in Lagos

High on his agenda was discussion of Nigeria's 1986 budget, which had been widely welcomed in Western capitals as a *constructive* attempt *to* tackle the country's economic crisis, and which appeared to move a *considerable* way towards resolving the impasse with the IMF.

British officials spoke of a "*warm and friendly*" atmosphere in the talks with Mrs Thatcher and Sir Geoffrey, while the Department of Trade and Industry announced that talks would begin soon on a new line of credit for Nigeria which would be "activated" when Nigeria's debt rescheduling *efforts had been* successfully concluded.

At the conclusion of his visit, Professor Akinyemi declared that no obstacles remained to an early resumption of full diplomatic ties. Both governments *had, it appeared, put the* Dikko affair to one side.

Professor Akinyemi acknowledged that Mr Dikko's extradition case would take time in going through the courts. For their part, British officials who had been raising the case of two British aircraft engineers jailed for 14 years for allegedly assisting an aircraft to be flown illegally out of Nigeria at the time of the Buhari coup, accepted Nigerian assurances that their appeal against conviction would soon get under way.

Other issues had also either diminished in importance, or at least presented no obstacle to the exchange: as the international oil market became a pricing free for all, rancour about North Sea pricing policy diminished, while the JMB affair has been working to Nigeria's advantage, cited frequently *by Nigerian officials as* justification for the close but time-consuming scrutiny to *which the claims of trade* creditors are subjected.

Yet there appears to remain a potentially serious misunderstanding about the attitude of Britain (as well as France, the US and other Western trading partners) on the role of the IMF and debt rescheduling.

There is a widespread belief in Nigeria, fostered in part by some misleading or overly optimistic accounts in the local press, following Professor Akinyemi's visit to the three capitals, that the budget has paved the way for the rescheduling of medium and long-term debt without a formal IMF agreement.

This, say Western government officials, is not the case. While the budget is seen as an important step towards economic recovery there remain issues still to be resolved, such as the call for a devaluation of the Naira. These issues, say the officials, have to be taken up with the IMF, and while the size of any loan is entirely a matter for Nigeria, a formal agreement with the Fund remains a precondition to rescheduling of debt.

Professor Akinyemi maintains that he did not misrepresent the signals he received in London—where his visit was hailed as a success and described as such by Foreign Office officials at the time.

Nevertheless, the misunderstanding about the *outcome of* his visit, as far as economic issues were concerned, prompted sufficient concern for the missions in Lagos of the three countries involved to take the unusual step of restating their stand, in formal or informal meetings with Government officials.

Since then the Governor of the Nigerian Central Bank, Alhaji Abdulkadir Ahmed, and senior Government officials have been in London for talks with British officials and bankers, pursuing efforts to get debt rescheduling talks off the ground.

Anxious creditors, impatient about lengthy delays in meeting claims for trade arrears, will be hoping that progress is made, for trade ties and outstanding debts, rather than the consequences of an abortive kidnapping attempt, will dominate relations between the two countries in the months ahead.

Debt crunch ahead

CONTINUED FROM PAGE 1

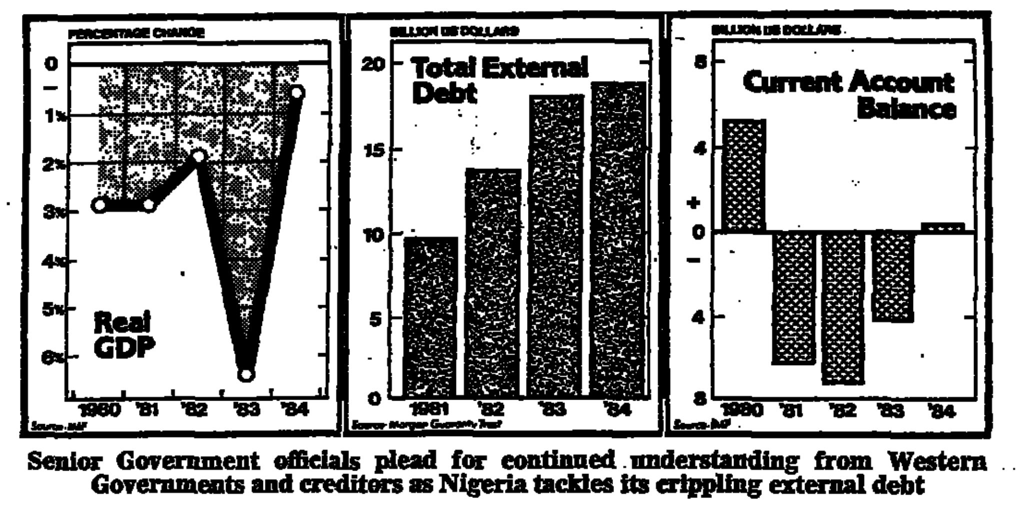
cised by the president when he took office for apparent irregularities and overpricing, was reviewed by a *special committeee.*

A second committee, however, was appointed to conduct a further review and inspect past contracts with a view to renegotiating them. Although its chairman is an experienced businessman, many observers have been disconcerted by the fact that its members have neither technical expertise nor experience of a highly complex matter.

Government may also be running into problems of a different kind. A panel under the chairmanship of Justice Samson Uwaifo has been reviewing the cases of former president Shehu Shagari and his deputy, Mr Alex *Ekwueme, who are in detention.* The panel's finding, after hearing evidence of alleged corruption, that the two men should be released, outraged many Nigerians who believed that charges had been inadequately investigated and presented.

Confusion has arisen over the limits of the panel's authority, and the government has since said that the final decision lies with the AFRC.

The Government is in a dilemma: should it keep the two men in detention it undermines the authority of the panel it established, as well as its disavowal of detention without trial; but *if it* releases the men, many Nigerians will be scandalised.



Senior Government officials plead for continued understanding from Western Governments and creditors as Nigeria tackles its crippling external debt

Corruption

At the heart of the problem is the fact that neither General Buhari nor President Baban*gida* have had much success in bringing to book those who were involved in the widespread corruption of the civilian era (and in the military regimes before them) and which today is endemic in *Nigerian society.*

It is in the area of the economy where the most pressing concerns lie and where the major pledge made by the President in his post coup address last August has proved most difficult to fulfil. President Babangida castigated the ousted government for the continuing economic decline during their 20 months in office —" Austerity without structural adjustment," he declared, " is no solution to our economic predicament."

Nigeria, he reminded his audience, had been negotiating since April, 1983, with the International Monetary Fund over the terms of a $2.5bn loan which would lead to a further loan from the World Bank and pave the way to rescheduling of the country's external debt.

A " stalemate " had existed *for the past two years*—" We shall break the deadlock that frustrated the negotiations," he told Nigerians and the anxious Western creditors.

In keeping with the Government's consultative style, the issue was then thrown open to the nation and for over three months the newspapers were dominated by little else. The Government, which apparently *came to* power with the belief that an IMF deal was essential, let its own case go by default and miscalculated the consequences. The debate that ensued proved disappointingly one sided, with the opponents of an *IMF* role in the country's reconstruction programme having it all their own way

The debate was brought to an end in mid-December, when in a national broadcast the President announced that nego*tiations with the Fund had* been suspended. Although no clear link has been demon*strated*, the anti-government plotters who were arrested later that month were almost certainly planning to capitalise on the anti-*IMF* sentiment and portray General Babangida and his administration as " soft " on the IMF.

At first sight it appeared a major setback to the Government's economic adjustment *strategy. Yet the 1986 budget*, released barely a fortnight later, introduced measures which went a considerable way towards bridging the gap between the two sides over conditions for the $2.5bn loan.

Subsidy cut

The budget slashed the domestic petroleum subsidy, thus removing one of the three major obstacles to agreement, and promised a "realistic" rate of exchange for the Naira, also demanded by the Fund, leaving only the third hurdle—the IMF call for liberalisation of trade.

The package was initially seen as paving the way towards an eventual understanding with the Fund and thus the Government's imposition of a 30 per cent ceiling on external debt servicing provoked little or no concern.

But in the weeks that followed some fundamental questions—notably about the exchange rate — have gone unanswered. Although in his interview with *the Financial Times the president* repeated his Government's commitment to a realistic exchange rate, perhaps brought about by a managed float, this is incompatible with views of some senior officials, including the director of budget who is on record as saying that the intention was to maintain parity, within a margin of 5 per cent either way, between the naira and the dollar (traded on the black market at four to five times the official rate).

And as officials in government themselves point out, to allow the naira to steadily depreciate and enforce the 30 per cent import surcharge levied in the *budget, is hardly the most* efficient way of tackling the exchange rate problem.

Meanwhile, the promised introduction of a two tier exchange rate — an official rate and a rate determined by bids for a limited amount of foreign exchange auctioned by the central bank—has yet to be introduced.

It is no exaggeration to say that Nigeria's economic prospects now hang *on this issue.* Without a substantial devaluation — perhaps as much as 50 per cent — any agreement with the Fund seems remote. And without such an agreement there is unlikely to be a rescheduling of external debt, at least on the scale Nigeria needs, and without rescheduling a default seems inevitable.

Is there a way out of the impasse? Judging by the reaction to the budget, Nigerians appear to be willing to accept painful structural adjustment which their own economic planners recommend.

What they will not accept is an IMF presence in the Central Bank, as it were, seen as an erosion of sovereignty. Nor do they want an IMF loan, if only because many Nigerians believe that it would be squandered, directly or indirectly.

But in his interview with the *Financial Times* the President was careful not entirely to rule out any Fund role, in particular he indicated what seemed to be a willingness to consider *seeking the Fund's* endorsement of Nigeria's economic reforms. Such an "imprimatur" might then satisfy the creditors' condition for rescheduling.

Should Nigeria choose, as one Government official put it, " to take the whipping but turn down the bride " (a reference to the ceremony sometimes undergone under Hausa-Fulani custom in which the prospective bridegroom endures a ritual whipping before selecting his bride), public opinion may be satisfied, and the basis of a compromise struck.

Senior officials in government who acknowledge the shortcomings in the budget and accept the need for a devaluation of the Naira, plead for continued understanding from western governments and creditors as they walk the tightrope stretched between the Nigerian public and Fund officials in Washington, and conduct informal discussions with western banks and the IMF.

Impatience

Nigerians within and without *government remind impatient* outsiders that last August's coup brought a new intake of military officers who have to be briefed on the complex economic problems facing the country—" the learning process had to begin all over again," says one official.

They stress, too, that in their opinion there is no viable alternative to President Babangida's pro-western administration which has made it clear that it intends to meet its external commitments.

Yet there is a sense of time running out. In the coming months the debt crisis must be resolved and the factories which have been forced to lay off over a million workers in the past three years given the raw materials they so desperately need.

The effort required to find a middle way between rejection of IMF terms and the disquieting prospects of default will require all of President Babangida's political skills.

Nigeria's new President is interviewed here by **Michael Holman**, Africa Editor, and **Patti Waldmeir**

'We're really determined to put the economy to rights'

QUESTION: After six months in office, what do you feel your Government has achieved?

A. Before this administration took over there was a lot of tension in the country, creating an atmosphere which I felt very strongly was not conducive to national development. I believe that every person has a stake in the administration, and that opportunity was not available before we took office.

I think one of our most important achievements has been to change the climate, change the atmosphere, making people feel free to participate. Our policy of enhancing human rights and the dignity of the individual citizen has gone a long way to reduce tension. Besides, the Nigerian information media are freer today than in most countries.

On the economic front, after our rejection of the International Monetary Fund package, we have put together a budget designed to start an adjustment process which should lead to a revival of growth in output and in employment.

Q. Your Priorities for 1986?

A. They are set out in the budget. Its main strategy is to reactivate the economy by making more foreign exchange available to the directly productive sectors of agriculture and industry for importing raw materials, machinery and other inputs. When the import licences are issued shortly, we expect that many factories that have been closed down in the last few years, as well as those that have been working on a sporadic basis, will resume production on the basis of one or two shifts a day.

When this happens many citizens who have been retrenched over the past few years will be re-employed and increased output should generate more tax revenue for both Federal and State governments.

Q. You suspended negotaitions last December for a $2.5bn loan from the IMF, but do you rule out any role for the Fund in your efforts to resolve your economic problems?

A. I look at it this way: there is always a possible role for the IMF, provided it is compatible with our own national interest as we see it.

Q. Do you see the 1986 budget as having narrowed the gap between Nigeria and the IMF?

A. From reports we get the budget has been accepted as realistic and I think that it should be an indication to the IMF and our trading partners that we are really determined to put the economy to rights. We have been able to identify the problems and we are addressing our minds and energies to those problems in our own way. That is what we have been insisting on all the time.

Q. You spoke in your budget address of the need for a "realistic" rate of exchange for the naira. Does this mean that you envisage the possibility in the coming months of a steady depreciation of the naira?

A. What we said is that this time around we will allow the naira to float. We will try to avoid outright devaluation but allow the naira to compete with other currencies.

Q. Given the measures adopted in the budget, plus a flexible exchange rate, does this mean that Nigeria could move to some accord or understanding with the IMF?

A. We discarded the idea of taking the IMF loan. But then there is the question of what the IMF calls "enhanced surveillance." Our creditors should be able to see the effort we have made. Through the budget we presented for 1986 we have taken a lot of far-reaching decisions which should be acceptable to the IMF so that they could say: "Yes, the country's economic package is quite sound." They should also be able to say: "OK, you should be able to deal with this country given the progress they have made."

Q. So you would get the endorsement of the IMF?

A. The budget package is tougher than any adjustment programme that the IMF could have hoped for. We hope that our creditors will follow up their broad acceptance of the budget with meaningful and serious negotiations to reschedule the outstanding foreign obligations in a realistic manner.

Q. Your budget put a 30 per cent ceiling of debt servicing. Do you think your example might be followed by other African countries?

A. It may serve as some sort of example, but the situations elsewhere are different. When this administration came in, debt service commitments were 44-45 per cent of our export earnings, and this was telling on our economy.

But we also felt that no matter what happened we had the responsibility to settle with our creditors. We believe they mean well and they should be able to understand our problems. We should be able to sit down with them and discuss these issues. They need us and we need them, so we can sit down and reach an agreement.

Q. Does the recent fall in the price of oil jeopardise your budget strategy?

A. It's a sign of the battle of nerves being fought for the market share between Opec and non-Opec members. This is a battle that cannot be fought to its logical conclusion or to the bitter end, because all the participants will be losers in the end.

Our view is that the huge drop in oil prices is temporary and that a truce or armistice will soon be agreed on terms that will ensure reasonable health for all concerned. All in all, we are optimistic that our main budgetary strategy can still be sustained.

Q. Your counter-trade policy of oil for goods has come under review. What are the criteria for future deals?

A. After our counter-trade review committee reported we said that we would continue to counter-trade, but deals would be used for implementing specific and concrete projects with high priority. Moreover, such deals will feature flexibility of sourcing for goods so as to give us the opportunity to obtain competitive prices.

Q. You have initiated a debate on the proposed return to civilian rule. What are your views on new political structures?

A. It would not be politic for me to talk about that now, with the debate about to start. The debate will cover about 28 topics, including the role of the armed forces, and whatever decision comes from the report of the poltical bureau conducting the debate it will be the product of consensus.

Q. But the the target date for a return to civilian rule remains 1990?

A. That's right.

Q. The press is playing a vigorous and influential role in Nigeria, but in a recent speech you seemed to take a tougher stand on the media.

A. The press will continue to remain free. It is not the intention of this administration to interfere with the freedom of the press, which should inform the public about government policies, convey back to government any public reaction, and do so in a constructive manner.

Constructive does not mean docile. It simply means helpful and non-destructive, which is very important in a society such as ours which is only partly literate and where people, therefore, tend to believe virtually everything they read in the press.

Q. Relations with Britain have been strained since the abortive attempt to kidnap Mr Umaru Dikko in July 1984. When will relations be restored and High Commissioners (withdrawn at the time) reappointed?

A. We have bridged the gap. We have the approved nomination of the new British High Commissioner and I hope his Nigerian counterpert will be aproved any time now.

Q. The recommendation by the panel headed by Mr Justice Samson Uwaifo that former president Shehu Shagari and his deputy, Dr Alex Ekwueme, should be released provoked controversy. Will you act on the recommendations? Do you feel the issue of corruption under the former civilian government has been resolved?

A. We set up three tribunals: one trying people who were convicted under Decree No 3; another trying people convicted under Decrees 7 and 20 (decrees enacted by the previous military government of Nigeria); and a third looking into the cases of people who are still held in detention. This is where the Uwaifo panel comes on.

After these panels have finished and made their recommendations the Armed Forces Ruling Council will look at the report of each case and treat it on its own merits. They include the case of Alhaji Shagari and Dr Ekqueme at the appropriate time.

The short answer to the question whether corruption under Shagari's government has been resolved is "No." Until the relevant panels finish their work it cannot truly be said that the issue of corruption under the Shagari government has been resolved.

Q. It sometimes seems that comparatively small fish have been put away for long periods while the main culprits go scot-free—or, if they are imprisoned, that factors other than legal are involved?

A. This is an on-going process. We have always maintained that anybody found to have been connected with improprieties will definitely be brought to court, but it may be a long process.

Q. The disclosure that Nigeria had become a full member of the Islamic Conference Organisation (ICO) has aroused considerable concern in the country. Does the panel looking into the implications of membership have the authority to recommend a return to observer status which Nigeria previously had with the ICO?

A. I would not like to pre-empt the findings of the panel. They reconvene on February 25 to deliver various views.

Q. Nigeria has a representative—General Olusegun Obasanjo, the former head of state—on the Commonwealth group of eminent figures who are trying to encourage negotiations between the South African Government and black leaders in the Republic. Are you at all hopeful that the initiative will produce results?

A. Given the quality of the people nominated to serve I have no doubt that they will try to make a success of their mission. But it is at a very delicate stage and after the initial contact it will require a bit more time to assess the situation. Public statements, especially by governments whose representatives are serving in the Commonwealth group, could complicate matters.

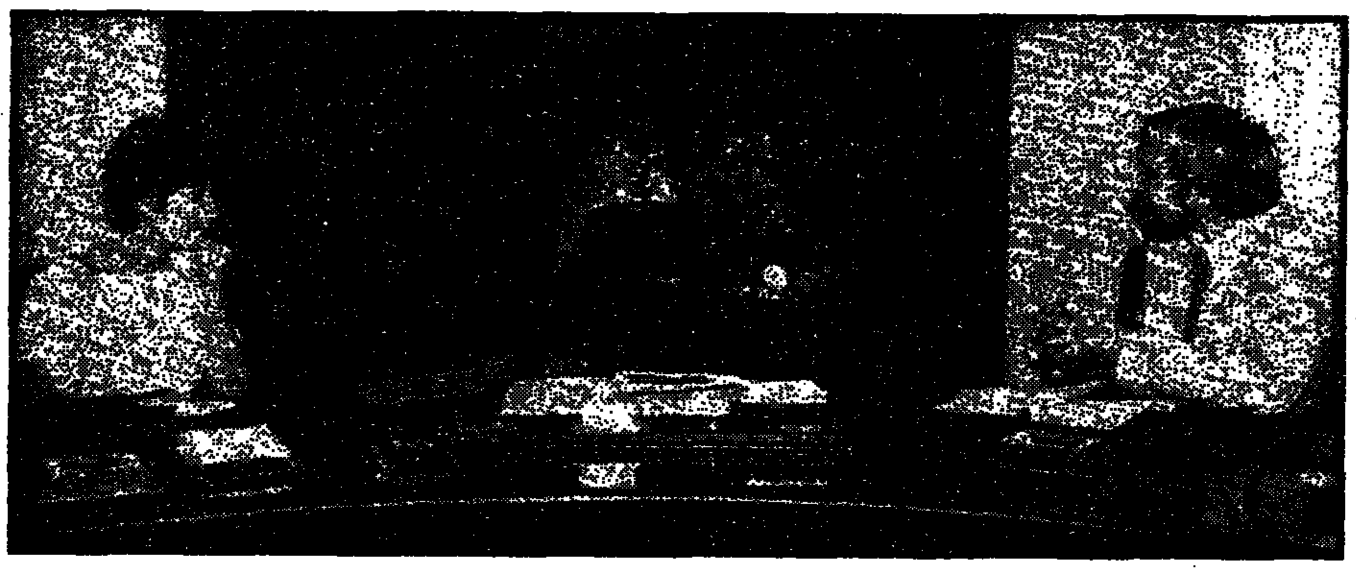
Q. Can we finally return to economic issues and the concerns of Western creditors?

A. I don't like slogans, especially where difficult and very important issues are under consideration. But let me state our basic philosophy on our relationship with the international financial and banking community in respect of meetitng our external obligations. It can be summed up in two words: realism and responsibility.

We are prepared to meet our legitimate obligations, domestic or foreign. Where claims on government are questionable they must be thoroughly vetted before they can be accepted as legitimate.

Once our obligations are clearly established, we are also prepared to do whatever is reasonable and possible to meet them, subject to the availability of resources and the need to continue to meet the requirements of the Nigerian economy. In other words we would discharge our external debt obligations, but not at the expense of causing economic dislocation and crisis at home.

Meeting our obligations must be compatible with a reasonable level of orderly growth and development in Nigeria.



The Military President answering questions put to him by Patti Waldmeir and Michael Holman

General Babangida: 'a soldier's soldier'

MAJ-GEN IBRAHIM BABANGIDA, who took power from Maj-Gen Muhammadu Buhari in a bloodless coup on August 27 last year, came to office with a reputation as one of Nigeria's outstanding soldiers who had played a key role in the overthrow on December 31 1983, of the country's civilian president, Shehu Shagari.

Sociable and popular with his men, President Babangida is a stark contrast with his somewhat aloof, austere military predecessor, who was widely criticised within the country for muzzling the Press and abusing human rights.

Gen Babangida has made Press freedom and government accessibility cornerstones of his administration and has encouraged debate on the main issues facing the country—notably its relationship with the International Monetary Fund, the proposed return to civilian rule, and the controversial membership of the Islamic Conference Organisation (ICO).

Born in 1941 in Minna, he joined the Nigerian army as an officer cadet in 1963. After graduating from the Military Training College at Kaduna, he went on to attend military courses in India and Britain. During his distinguished military career he was known as a "soldier's soldier," especially in the Biafran civil war, and he played a key role in ending the coup attempt in February 1976 in which the head of state, Gen Murtala Muhammed, was assassinated.

His previous experience of government derives from his membership of the Supreme Military Council (SMC) from 1975 to 1979 and between 1984 and 1985 under Gen Buhari, when he was Chief of Army Staff. A Muslim, he is married with three children.

Now the big debate begins

"THE STARTING gun has been fired," declared one Nigerian exuberantly, "for the 1990 elections." But another veteran observer was far from pleased: "The same old political crooks are on the wing."

Both were reacting to President Ibrahim Babangida's announcement that he intended to return the country to civilian rule in 1990 and a year long national debate on the country's future would be encouraged by a government-appointed political bureau, which has released a 29 point guideline for the public ranging from the role of the armed forces to the place of traditional leaders.

Over the next 12 months members of the bureau, working out of offices in all 19 states, will be encouraging — should that be necessary — submissions from members of the public.

Prospects for civilian rule

MICHAEL HOLMAN

Poverty

No one underestimates the task ahead. When the Vanguard newspaper viewed the prospect of producing a formula which would create a stable, democratic society in a nation with marked ethnic divisions and which has seen military coups since independence in 1960, it pulled no punches.

"It will not be an overstatement," an editorial declared, "to say that Nigeria in all the years of her independent existence, has not even started to approximate the prerequisites for building a modern nation state. Economically, unbearable poverty is still the highest common denominator. Politically, disorder has become the basic mode of order. Socially, we are bewildered by our own decay and morality, bankruptcy is the sordid reality, especially of the elite class."

Although politiacl parties remain banned—they were proscribed when the military overthrew the former civilian president, Shehu Shagari, in December 1983—there are signs, as one former politician put it, that the old parties are starting tentatively to regroup. Whether they will eventually re-emerge—indeed, whether Nigeria will choose a multiparty model for its new constitutional structure—remains to be seen. But any new dispensation will have to take account of three broad divisions in Nigerian society which run along regional and ethnic lines.

As the article by David Walliams, the veteran observer of Nigerian affairs, points out, the so-called north-south division in Nigerian politics is a misleading term. Nevertheless, there is a powerful northern Hausa-Fulani sense of identity and common cause, personified in the career in influence of the late Sardauna of Sokoto, Ahmadu Bello the first premier of northern Nigeria.

The two other major groupings are the Yoruba in the west and the *Ibo* in the east, and each of these three "nations" number some 15m to 20m people. *To these should* be added what has become known as the "minorities," some 300 ethnic group whose influence partly lies in their capacity to tip the balance of power.

The federal structure under which Nigeria won independence in 1960 (consisting of the northern, eastern and western regions) was designed to accommodate those forces, but it prove unsuccessful.

The overthrow of the first republic was caused largely by the division between the northern NPC-led coalition, which included substantial southern elements, and the southern alliance of parties, which for its part included some northern elements.

In the intervening years, marked by coups and the Biafran civil war (1967-70) Nigerians have been struggling to find a constitutional formula that will meet the needs of Africa's most populous nation. What found common acceptance was the need to devolve power on the regions and in the 1960s and 1970s the original federal grouping was broken up into smaller states, in two main phases (see map top right).

If ethnic affiliations were the only basis of party political support, the Yorubas would now dominate four states, with two other states with strong Yoruba influence but in which the minorities would be the key to the electoral outcome. The Hausa Fulani have four states, with five or six marginal through minority groups, while the Ibos prevail in two states, with two or three more in the fringe category.

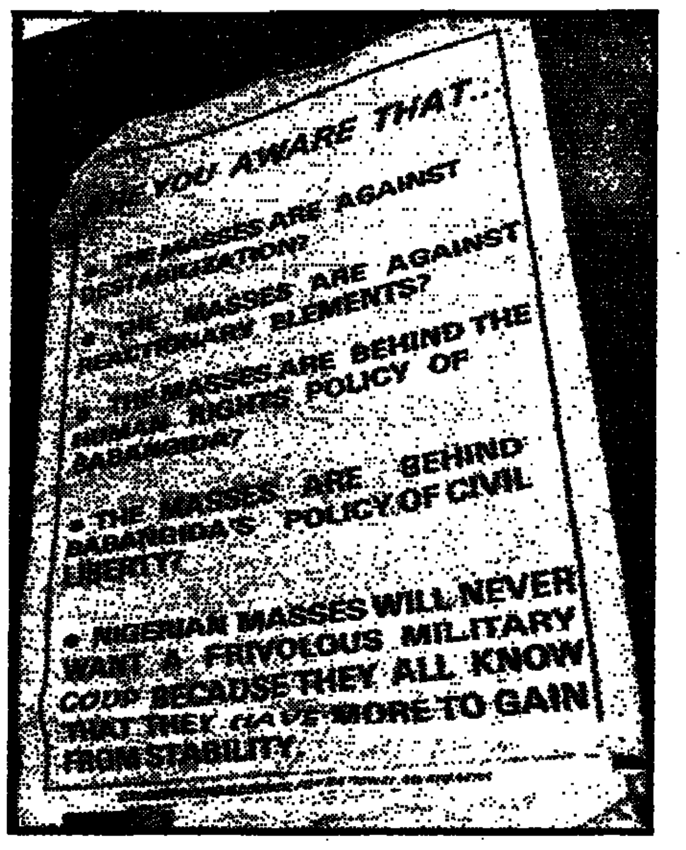
Polling

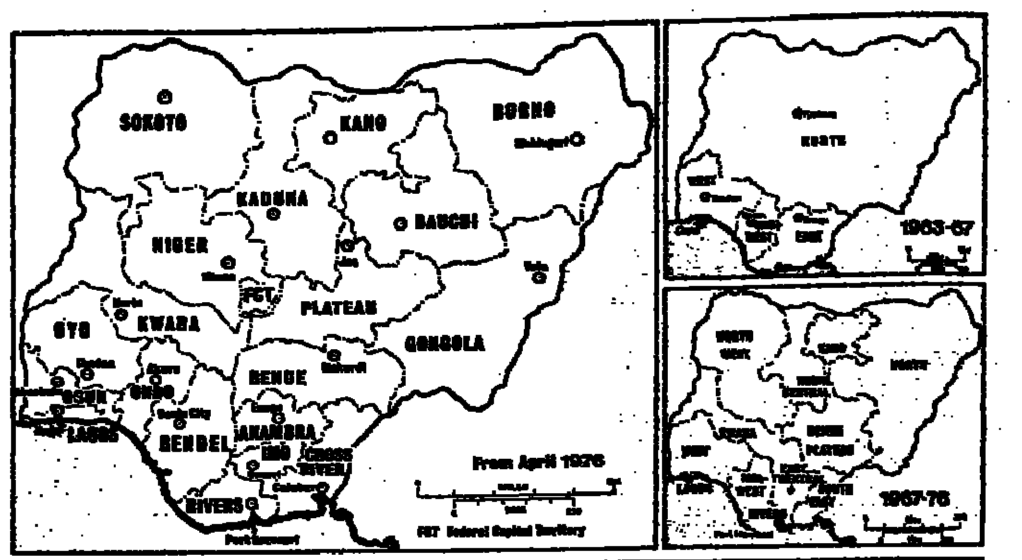
In the 1979 and 1983 elections (the latter widely regarded as having been rigged) three parties dominated the political scene: the National Party of Nigeria (NPN), which won the poll in 1979 by moving beyond its northern base to establish a broad national presence, winning key minority states such as Benue, Cross River and Rivers; the Unity Party of Nigeria (UPN), led by one of Nigeria's political veterans, Chief Obafemi Awolowo, 77, who was premier of the western region in the 1950s, and whose party strength lies in the Yoruba west of Nigeria; and the Nigerian Peoples Party (NPP) led by Dr Namdi Azikiwe, first president of the Federal Republic and now in his 80s.

The NPP drew heavily for its support from the two Ibo states in the east, Imo and Anamabra, with significant support in Plateau and Rivers states.

But the 1979 election showed, however, what might have appeared solid voting blocs based on ethnic loyalties produced a far more complex pattern, with smaller parties such as the Great Nigeria Peoples Party (GNPP) and the Peoples Redemption Party (PRP) showing that local issues or personalities could disrupt the planning of the big three.

Should new parties be allowed to emerge, while the names may change, the electoral power bases are unlikely to be fundamentally different. But by 1990 Nigeria will have a new generation of aspiring civilian politicians, for even the indefatigable "Awo" and "Zik" will have passed on the baton to younger men.





● Wall posters, such as the one above issued by the Nigerian Council for National Awareness, and (right) a selection of vigorous tabloid newspapers highlight political, regional and religious issues. *President Babangida has pledged that the press will continue to remain free*

Religious differences intensify

Islam and Christianity

MICHAEL HOLMAN

FEW issues have excited as much passionate debate in Nigeria in recent years as the news that the country had become a full member of the Organisation of Islamic Conference (OIC).

Both the way in which the decision was taken, and the way in which it has fanned religious differences in Nigeria, brought about what Newswatch, a well informed local weekly, described as the Government's "first major crisis" since taking office in August last year.

The impact of the decision has been disquieting in a country where, despite serious clashes in the past between Government forces and Islamic extremist forces in the north, religion has by common consent, been largely kept in the background.

Today conversations soon turn to the subject of religion, and invariably the composition of the Armed Forces Ruling Council (AFRC), and the army itself, is discussed in terms of religious affiliation with fervour and sometimes an undercurrent of animosity.

Christians raise the spectre of the introduction of Islamic sharia law in the south—despite no indication that the Government is even remotely contemplating such a move. "The talk is often irrational," said one concerned Nigerian, "but that is always an ingredient of religious disputes."

For a Government which has prided itself on the consultative process it adopts before making major decisions — the encouragement of a debate on the pros and cons of taking an International Monetary Fund (IMF) loan, for example — the way in which the news emerged puzzled many Nigerians.

The first inkling came not from the Government itself but from an Agence France Presse report last month, picked up by the local Press. It said that following a visit by a Nigerian delegation led by Alhaji Rilwanu Lukman (then minister of Mines and Steel, since appointed to the Petroleum portfolio) to an OIC conference in Fez, Morocco, the country had become the 49th member of the organisation. Formally established in 1971, the body has among its aims "the promotion of Islamic solidarity among member-states"—incompatible with Nigeria's official secular status, say Christians—as well as co-operation in "economic, cultural, social scientific and other fields."

The news alarmed many Christian church leaders in Nigeria, who sought further details, but the initial Government response was confusing. The chief of general staff, Commodore Ebitu Ukiwe, the Government's number two, declared that Nigeria "has not applied to join any international religious organisation," and made the same point in a television interview.

Only earlier this month did President Ibrahim Babangida confirm the news, and by that time the Nigerian press had had a field day, reporting the passionate views of the two sides, Christian and Muslim. Both sides claimed to represent the country's religious majority, and this alone excited controversy for no accurate count exists of the current Nigerian population.

A census in Nigeria is more than the mere counting of heads. The outcome has a fundamental bearing not simply on the allocation of political representatives to each region or state, but on state revenue, for Federal collected revenue is allocated to the states partly on the basis of population.

The only reliable guide is the 1963 census (although this itself was disputed at the time) which described 47 per cent of the population—then calculated at 55m, today put at between 80m and 100m, according to which estimate one believes—as Muslim, 35 per cent as Christian and the rest animist or traditional. Broadly speaking the north is predominantly Muslim, though with a sizeable Christian minority, and vice versa in the southern region.

Meanwhile, the debate raged. "The process by which Nigeria joined the OIC," declared an editorial in the Lagos daily, The Guardian, "was totally uncharacteristic of an administration that until now has endeared itself to the populace by it openness and readiness to expose even the most arcane issues to public debate . . . for nearly three weeks not a single government official was willing to admit (the decision) publicly."

Opposition

Some of the newspapers most bitterly opposed to the decision drew alarming parallels with religious conflicts in Iran, Iraq, and the Lebanon, painting the picture of rampant Islamic fundamentalism and raising the prospect of religious conflict that could, as one paper put it, "tear Nigeria apart."

The belated Government response was in keeping with an administration which has set up committees on a wide range of topics, from an investigation on the merits of counter trading Nigerian oil for goods, to the country's political future: it established a committee of Muslim and Christian leaders to "examine the implications of Nigeria's membership," headed by Internal Affairs Minister, Lt-Col John Shagaya, whose first move was to appeal to the press to exercise restraint.

President Babangida's speech at the inauguration of the panel in the proposed federal capital of Abuja—deliberately chosen as the location of his speech because of its apolitical, areligious status as a capital in the making—struck a note of caution and conciliation which may have come none too soon.

Dismissing speculation that membership was a move to appease northern religious and political interests, he warned that "inflammatory statements" in the media were "capable of doing avoidable damage to the peace and unity" of Nigeria. National debates, he went on, "will not be successful if they are approached by whipping up emotions, mobilising mass hysteria or issuing threats."

Defending the Government's decision to join the OIC he reaffirmed the commitment to section 10 of the 1979 constitution which stipulates that Nigeria is a secular state.

The business of the OIC, he said, which included among its members over a dozen other African states, many of which are secular with substantial non Muslim populations, was "international cooperation and the struggle for economic development and self reliance."

What he did not explain, however, was the process which led to the application, and why such confusion attended its handling.

The committee is due to report later this month, but it will take the wisdom of Solomon to produce findings which defuse this sensitive affair and which do not leave one side or the other feeling aggrieved.

Regional rivalries remain

North-South issues

DAVID WILLIAMS

ALMOST TWENTY years ago the northern region, which since independence had dominated Nigeria politically as well as geographically, was split into six "states." Ten years ago it was further divided, into ten states, ranking constitutionally with the nine states into which the former three southern regions were then divided.

In the 1979 general election states in the former northern region elected five governors opposed to Alhaji Shehu Shagari, and five who supported him.

Yet even today people can be found in the nine southern states who still see survival of the political unity and domination of the former northern region, and suspiciously scan lists of appointments, including those of military governments, for signs of "northern" ascendancy. For them the northern region still lives; the old British administrative boundary between the "northern" and "southern" protectorates, with their very different histories, is as real politically today as it was in 1912 when Lugard was brought back to "amalgamate" the two—with Lagos "Colony"—for the sake of economy, not political unity.

For them anybody born north of that boundary is still a "northerner," and may be more anxious to serve the interests of his group than those of Nigeria as a whole.

The enthusiastic British administrators who were determined that their northern provinces should remain "different," and their Nigerian successors who developed the concept of their northern region as what amounted to a "northern nation," bear some of the blame for the division which still affects so much Nigerian political thinking, even if few venture to express it publicly.

Lugard did not succeed, in fact, in producing a real amalgamation. In practice two different, to some extent rival, systems of administration continued for the now "northern" and "southern" groups of provinces.

In the north, "indirect rule," adopted to meet administrative necessity, became a "dogma"; and instead of modernising ideas which were developing in the south spreading to the north, the opposite happened.

The differences between north and south, which the British and their successors wished to maintain they extended, for the most part, to non-Moslem areas of the northern provinces whose social systems had affinities with the south and which, until the British came, shared no political unity with the emirates.

Consequences

The notion of a "regional nation" also affected, to a lesser degree, the western and eastern regions; and in these the idea that the Yorubas and Ibos constituted "nations"—however justified in cultural terms—had some of the same political consequences.

The Colonial Office, although questioning the idea that the northern provinces were a natural and permanent unity, and emphasising the goal of a united Nigeria, in practice left things to the "men on the spot." And, as has been said, in the conflict between the British heads of centralised departments and the British northern administrative hierarchy, there were "neither team-spirit nor clear ideas, nor authority."

Certainly there were profound differences between the northern emirates and the rest of the country; but a statesmanlike approach would have sought to diminish, not accentuate, the differences.

Above all, in spite of Lugard's ambition, considerable imbalance in western education between the Moslem areas in the north and the non-Moslem areas in the south was inevitable for many years. Hostility to western education was reinforced by the British Administration's policies.

The basing of all education on local culture was sound but this excluded teaching English—except later at Barewa College, destined to produce a minute class of "black Moslem English gentlemen"—although English was essential for employment in central government service and for international links. The northern "provinces" became a "reservation."

The central failure of "amalgamation" lay in education. In 1919, Lugard lamented that "the Northern Protectorate does not at present supply a single clerk or artisan from its intelligent population." His successor, Clifford, found no person in the northern provinces "sufficiently educated to enable him to fill the most minor clerical post" in any central government department.

Before and after independence the fact that the region which called Nigeria's political tune had so few educated people caused tensions. Northern leaders objected to their region's dependence on the south even for semi-skilled workers, and accused southerners of trying to exclude any available northerners from jobs in favour of their own people.

With little justification southerners accused northern leaders of pushing unqualified northerners up the federal ladder.

They resented the northern policy of employing foreigners on contract rather than pensionable southerners when no northerners were available. Many southern politicians sincerely believed that the 1963 census was "rigged" in favour of the Northern Region, causing them ultimately to question the legitimacy of the Federal government.

New amity

The Aguiyi-Ironsi regime's effort in 1966 to centralise government revived northern fears about southern ambitions, with violent consequences. The civil war was never a north-south affair, but it was often so represented.

The new amity which developed after division of the northern region into states, between leaders of states covering non-Moslem areas of the former region and those of Moslem states, reinforced southern suspicion that the northern region still lived.

This suspicion was publicly expressed on occasions when military governors of the states formed out of the region met to consider issues which particularly affected their states—operation of regional institutions, for example, which could not easily be divided between them, or even drought.

Mistrust came to a head during the heated debates at the Constituent Assembly in 1978 on a Federal Sharia Court of Appeal—although in this case non-Moslem leaders in the former northern region were allied with southern politicians.

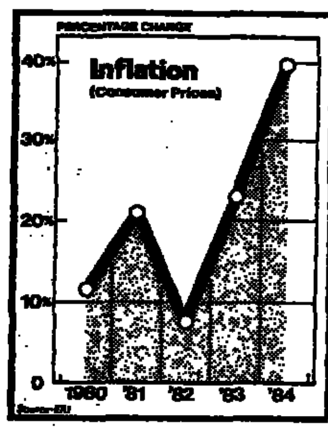
Yet two decades after the northern region disappeared "north-south" mistrust should have no place in Nigeria's political thinking. Perhaps, for a time, use of the terms "northern" and "southern" should be outlawed in political discussion.

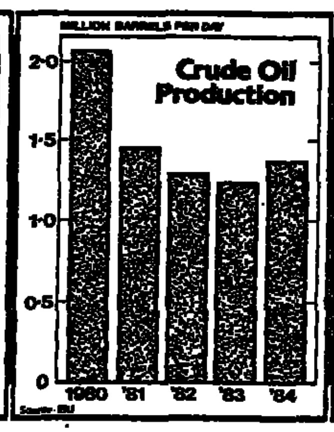
As oil prices sink, drastic stabilisation measures such as debt rescheduling and a substantial currency devaluation appear difficult to avoid.

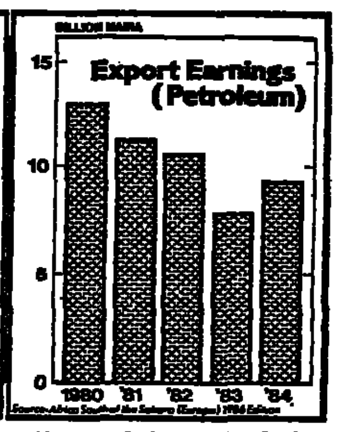
Options start to narrow

Economic prospects

TONY HAWKINS







THIS YEAR threatens to be the crunch year for the Nigerian economy—the year in which Nigeria runs out of options. Some options are still open, but as oil prices plummet the options narrow in range and efficacy, forcing Lagos ever closer to the brink of debt rescheduling and substantial currency devaluation.

In the last three months, the Nigerians have formally rejected an IMF loan agreement, put a cap on foreign debt service payments equivalent to 30 per cent of expected foreign exchange receipts, ordered an increase in oil production to offset plunging prices. They have also imposed a range of fiscal measures designed to stabilise the economy, which also satisfied several of the IMF's loan conditions, established a two-tier currency market and publicly accepted the need for a rescheduling of their medium and long-term foreign debt as well as a continued restructuring of trade debt arrears.

Taken together, these measures represent major progress towards economic adjustment but one vital ingredient is missing—a large devaluation of the Naira from its current parity with the US dollar.

The two-tier market is intended to go some of the way towards currency adjustment by allowing a broad range of non-essential transactions—imports of consumer goods, foreign travel, payments abroad for education—to take place at a realistic market exchange rate. The mere fact that the Nigerian authorities have acknowledged this necessity serves to underline the inevitability of eventual adjustment of the official rate of exchange.

Such adjustment is crucial to stabilisation of the economy both in the short-run and in the longer-term. In the wake of all the other adjustment measures already undertaken by Lagos, substantial devaluation would open the way to an IMF agreement, thereby unlocking the door not just to an IMF loan and rescheduling of existing debts but to an estimated $3bn annually of new resources over a three-year period in the form of quick-disbursing structural adjustment loans from the World Bank, some new credits from international banks, and renewed access to credit lines from the export credit agencies. Such a package would get Nigeria over the debt-servicing hump it now faces during the 1986-89 period, thereby easing the rear-term foreign payments constraint, but, just as important, major currency devaluation is needed also to achieve effective restructuring of the economy in a way that would revitalise the agricultural sector, while encouraging non-oil exports and efficient import substitution.

Opponents of an IMF agreement question—with some justification—whether Nigeria would attract the level of resource inflows of $9bn over a three-year period given caution on the part of both international banks and official credit agencies to extend their Nigerian exposure. They are, also justifiably, very concerned at the likelihood of new capital inflows being squandered by the federal and state governments at a time when there are signs of Nigeria's coming to terms, at long last, with the need for fiscal responsibility and control.

However valid these points may be, the fact remains that it is long-term structural readjustment associated with currency devaluation that will be far more important than the immediate debt crisis. Since the onset of the oil glut in 1982, one civilian and two military administrations have wrestled with Nigeria's economy imposing layer upon layer of bureaucratically-controlled austerity designed to avoid the need for fundamental balance of payments adjustment.

The only workable option — a return to a strong oil market — has failed to materialise. At the same time, the other ad hoc options — the build up and rescheduling of trade arrears, cutbacks and delays in invisible payments, a 40 per cent reduction in imports, higher taxes and cuts, increased deals — have all failed to resolve the foreign payments crisis at a time of falling oil prices.

Real incomes fall 30pc

On the other hand, these policies have forced the economy into a recessionary straitjacket with the result that real per capita incomes which increased 17 per cent between 1974 and their 1978 peak, have since fallen 30 per cent and are back to their levels of the late 1960s. Indeed, real Gross Domestic Product at N26.5bn last year was 15 per cent below its 1978 peak and only marginally higher than the 1976 figure of N26.2bn.

To make matters worse, the economy has been going through a period or pronounced stagflation with the result that prices and the naira's real effective exchange rate have worsened while output declines. Although the authorities have allowed the naira to depreciate against the US dollar by no less than 84 per cent in the last five years, movements against other currencies have been very limited with the result that by early 1986 the naira's nominal effective exchange rate (based on an import-weighted basket) was estimated to be only 5 per cent below its December 1980 levels.

With inflation averaging 20 per cent annually over the past five years, the real effective exchange rate of the naira is estimated to have doubled giving a ball-park figure for its present overvaluation. It is argued by businessmen and bankers in Lagos that the mooted 30 per cent devaluation of the naira would no longer be adequate and that the authorities should be thinking in terms of a 50 per cent shift. This is supported to some extent by the black market rate of around five naira to the dollar compared with the official parity of one naira to the dollar.

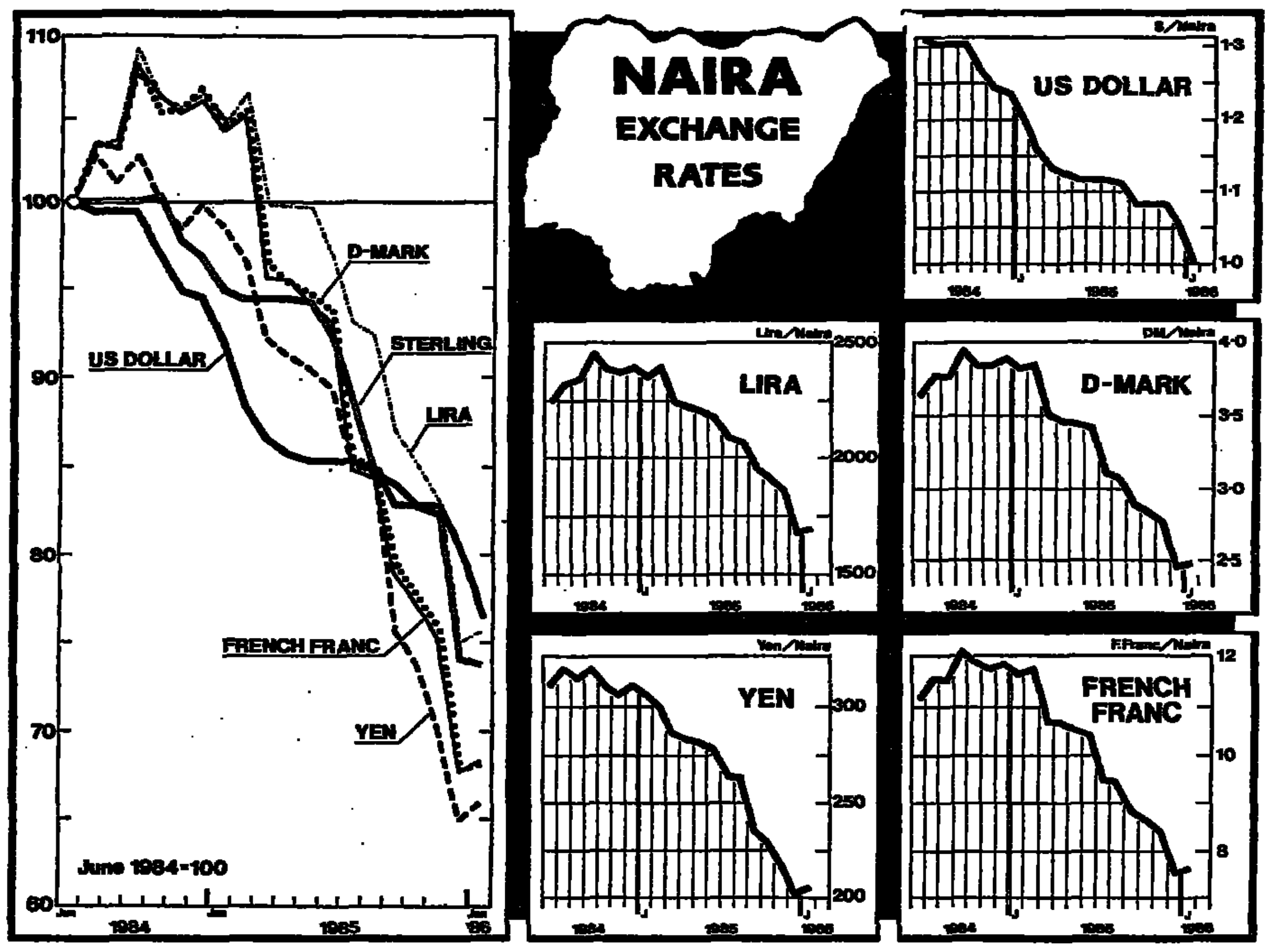
Reinforcing this argument is the combination of a continuing poor performance by the non-oil exports on the one hand and the expectation of sharply higher inflation in 1986 after a year in which the authorities succeeded in holding inflation down to no more than 5 per cent.

The doubling of the petroleum price with the abolition of the domestic subsidy (one of the IMF's conditions for an agreed programme), and the 30 per cent import surcharge (designed to avoid currency realignment while also raising much-needed public revenue) at a time of strong demand for essential imports that are in very short supply, suggests that the inflation rate will move back above 20 per cent in 1986, further underlining the need for devaluation.

Real GDP increased 2.4 per cent last year — the first increase since 1979 — in the wake of a revised 5.5 per cent decline in 1984. Agricultural output was up 3.5 per cent but the main growth came from manufacturing where output volumes rose 4.8 per cent. After declining 14 per cent between 1981 and 1983, petroleum output increased by 13 per cent in 1984 and gained a further modest 3.5 per cent last year, taking output back to 1981 levels but still only 80 per cent of its peak 1979-80 performance. Continuing stagnation in agriculture is evident from the fact that output last year was no higher than at the end of the 1970s pointing to a 20 per cent fall in per capita food production.

From the onset of the reces-

Continued on Page 6



Nigeria's new Finance Minister, Chu S. P. Okongwu

Balance of payments

	1986*	1985	1984	1983	1982	1981
(N bn)						
Exports	9.6	10.7	9.1	7.6	8.2	10.9
Imports	7.5	7.4	6.8	8.3	10.0	11.3
Invisibles (net)	−2.6	−2.4	−2.1	−2.3	−3.0	−3.3
Current balance	−0.5	+0.9	+0.2	−3.0	−4.8	−3.7
Capital (net)	−2.1	−1.2	+0.2	+2.8	+3.4	+0.7
Overall balance	−2.6	−0.3	+0.4	−0.4	−1.4	−3.0

* Forecast.

Source: Central Bank of Nigeria and own estimates.

High liquidity to be tapped to solve looming problems

Capital Markets

TONY HAWKINS

THE NIGERIAN Government hopes this year to exploit the high liquidity levels in the capital markets to solve two looming financial problems—the privatisation of some parastatals and the rescheduling of the country's internal public debt.

Strong growth in institutional savings from N6.8bn at the end of 1981 to N11.7bn in mid-1985 has created the opportunity for recycling these funds away from savings deposits and short-term money-market instruments into the longer-run investment that the country needs so desperately.

Despite the build-up in liquidity new issue activity remained at a very low ebb last year. In the 1977/79 period, almost N2.1bn was raised through the new issue market, of which N1.8bn represented government stock issues and some N274m private sector equity and fixed interest stocks.

In 1983, private sector issues fell below N150m while in the past 15 months less than N50m has been raised in private sector issues.

Reasons for this dearth of new issue activity include low *levels of private sector investment* attributable to the foreign exchange crisis and capacity utilisation rates of 30 per cent in many industries. Companies, like the banks and capital markets, are themselves awash with liquidity, partly because *they have not yet had to meet* arrears arising from overdue trade debts and as a result there is little incentive to raise new capital.

The surplus liquidity situation was vividly illustrated by the outcome to the 1985 Federal *Government Development* Stock Issue. Seven-year paper was issued at par with a coupon of 10.5 per cent rising to 12.5 per cent for the 25 year bonds. The N300m stock issue was 1.8 times subscribed, making it the first government bond issue to have been *oversubscribed in the* history of the Nigerian capital market, according to ICON Merchant Bank.

Secondary market activity continued at a low ebb through 1985 as well. The volume of shares traded which reached a peak of 417m in 1983 was down to 229m in the first nine months of the year.

An obvious reason for this state of affairs is the fact that two thirds of Nigerian market equity is held in firm hands by foreign companies (42 per cent), by the Government (15 per cent) and by institutional investors (8 per cent). The estimated 1m individual Nigerian investors, holding the balance of 35 per cent of issued share capital, have long adopted a "buy and keep" strategy which also makes for low levels of market activity.

Despite the economic recession, Nigerian investors have enjoyed handsome share market gains over the past two years, partially reflecting equity market inflation in the sense of too many buyers chasing too *few shares, but also in response* to the sparkling profits achieved by many listed companies.

The Nigerian Stock Exchange compiles a common stocks share price index (Jan 1984=100) encompassing the 95 equities listed on the market. The index *remained flat throughout 1984* reaching 105.5 at the end of the year, when the market capitalisation was N2.2bn, but had moved to 127 by the end of 1985 and 132 in January this year by which time the market capitalisation amounted to N2.8bn.

This puts Nigeria near the top of the league of developing-country capital markets—number six in line after Malaysia with a 1984 market capitalisation of US$29bn, Brazil (US$28.9bn), India (US$7.9bn), Korea (US$6.1bn) and Mexico (US$2.8bn).

Mr Hayford Allile, Director-General of the Nigerian Stock Exchange argues that double taxation—in the form of corporate tax on profits and a withholding tax on dividends—is a "*major cause of our lagging* markets."

Mr Allile argues that Nigerian investors are worse off than their counterparts in Brazil, Chile, Argentina and Korea because of significantly higher rates of corporate and *dividend taxes as well as a 20* per cent capital gains tax. Far from heeding his advice, the 1986 budget imposes new surcharges, ranging from 5 per cent to 15 per cent both on the after-tax profits of companies and the twice-taxed dividends.

Launching new initiatives: Mr Hayford Alide, *Director General of the Nigerian Stock Exchange,* Lagos

In the last two years, the Exchange has launched three new initiatives designed to attract new listings, widen share ownership and increase the equity available to investors. These include last year's establishment of the Second-tier Securities market which with its less stringent listing requirements, is designed to in*duce medium-sized firms to take* the public-quotation plunge.

In the wings

To date, only one firm has gone public via the second-tier, raising N425,000 of new capital, but others are waiting in the wings. In what was the first wholly owned Nigerian promoted flotation, Juli Pharmacy and Stores has used the second-tier window early in 1986 while a third company, Delta Glass, plans to raise N1.7m.

The second initiative—also designed to encourage indigenous Nigerian firms to go public—was the revision of some of the market's listing requirements. The most important change announced to date is *the reduction in the prerequi*site capital base from N1m to N500,000.

Third is the proposal to establish a bond market that would cater for the requirements of Federal, State and Local government. The aim *is to refinance some of* Nigeria's internal debts by issuing bonds with maturities ranging from 5 to 10 years. The Exchange has suggested that such "refinanced bonds" could be discounted at the Central bank or marketable via the Stock market.

Either way, holders would get a liquid investment that would presumably be issued to replace unpaid and overdue internal public sector debt, especially those owed by the State governments. The Nigerian Government is clearly keen on this suggestion and in the budget it announced *its* intention *of* rescheduling the domestic public debt through the bond market. As yet, no details are available.

In addition to these three developments, there is the recurring suggestion of privatisation. In his budget address, President Babangida referred to the parastatals as "an unnecessarily high burden on government resources," promising to sell off the Federal Government's holdings in agriculture, hotels and all non-strategic manufacturing activities.

But for all its attractiveness as a strategy for financially-strapped governments, privatisation is riddled with practical snags—government reluctance to dispose of financially-viable investments, investor reluctance *to buy into loss-making para*statals, Government unwillingness to allow management to paddle its own canoe and the scarcity of managerial skills.

If the capital markets are to be used to finance privatisation, investors will have to be *offered a stake in those state-*controlled industries that can generate acceptable rates of return. In contemporary Nigeria such enterprises are thin on the ground.

Decision year on trade debts

CONTINUED FROM PAGE 5

sion in 1982, industrial production — electricity and mining as well as manufacturing — had fallen 14 per cent before recovering slightly last year. Manufacturing output declined 23 per cent between 1982 and 1984 before managing a 5 per cent recovery in 1985.

Estimates of capacity utilisation vary widely from as low as 20 per cent to as high as 35 per cent to 40 per cent. However, very few industries are operating at more than half-capacity and in the budget, the Government set itself a target of attaining 55 per cent capacity utilisation this year — a figure that is unlikely to be achieved given the extent and severity of import shortages.

An unavoidable consequence of the overvalued naira is the economy's excessive dependence on imported food, raw materials and intermediate goods. Consumer imports in recent years have averaged 28 per cent of the total, with food accounting for about half (15 per cent of the total) and consumer durables 6 per cent.

Incredibly, as imports have declined the consumer durable share has risen, from 5 per cent in 1981 to 7 per cent last year.

Raw materials account for roughly one-fifth of total *imports while the share of* capital goods has averaged 45 per cent. Even after the imposition of austerity measures in 1984, consumer imports still exceeded 25 per cent and although allocations for consumer items have been reduced, industrial production and new investments have suffered as overall import levels have been reduced.

In terms of US dollars, Nigeria's imports have been cut by two-thirds from $21bn in 1981 to an officially forecast $7bn this year, even allowing for some shift of import allocations from capital and consumer goods to raw materials.

Nigerian industry is probably operating with real imports of no more than half the levels *applying in 1981-82. Indeed,* raw material imports last year at N1.5bn were just over half the 1981 total of N2.96bn. The inevitable result has been widespread shortages, rapid inflation as retailers mark up scarce items, declining capacity utilisa*tion and large-scale industrial* retrenchment.

While there are no meaningful unemployment figures, it is clear that retrenchment, especially in construction, manufacturing and by the state government, has led to sharply higher unemployment. The former finance minister Dr Kalu Kalu said last month that the registered unemployment rate in urban centres rose from 7.8 per cent at the end of 1984 to 9.7 per cent in mid-1985.

A report by the National Manpower Board calculates that private sector employers laid off as many as 30 per cent of their workers in 1982-83, with the impact being most severe in the construction sector followed by manufacturing and commerce.

Nigeria's poor economic performance has its roots in its troubled foreign payments situation. In dollar terms, exports collapsed from US$26bn in 1980 to $12bn last year while, over the same period, imports were almost halved, declining to $8.5bn in 1985.

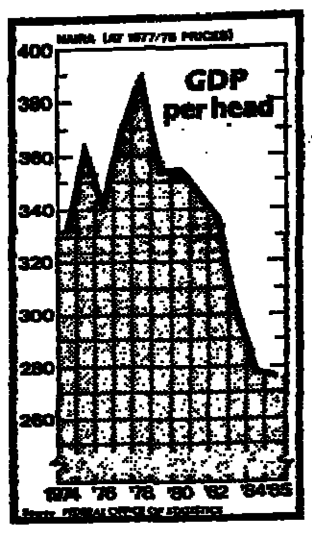
Throughout the 1980s, Nigeria has run a deficit on current invisibles — services, investment income and transfers—averaging $4bn annually though this has been partially offset by a trade surplus of $1.7bn annually, leaving a current account deficit averaging some $2.3bn a year.

However, there has been a major improvement since the 1981-3 period when the current deficit averaged more than $6bn annually to an average of just $1bn a year in 1984-5. While last year's 17 per cent export growth contributed to this improvement, the main explanation for the reduced current deficit is import restraint and invisible savings resulting from intensified exchange controls.

Since 1980, when there was a huge trade surplus attributable to buoyant oil prices, there has been a cumulative overall payments deficit of some $18bn, financed by the drawing down of foreign loans, a run-*down in foreign reserves and* the build-up of trade arrears.

It is this combination of a substantial payments deficit, funded by short-term borrowings in the form of trade arrears accumulation and the bunching of maturities in repaying medium and long-term obligations that spawned the present debt crisis.

The options now open to Lagos are limited. Having rejected—at least for the time being—an IMF programme, Nigeria is try*ing to reschedule its trade debt* and medium and long term obligations in separate negotiations with the Paris Club of official creditors and the London Club of international banks.



Prospects for a *Paris Club* agreement would seem to be remote, given that group's insistence on an IMF agreement as prerequisite for rescheduling. However, the banks may be willing to restructure their medium and long-term loans subject to what they see as the adoption by Nigeria of an appropriate exchange rate stance that would offer some hope of medium-term export growth, even with a depressed international oil market.

Just how the IMF would view such *unilateral* action *on the* part of the banks, is unclear but if it were to be linked into a substantial devaluation of the naira, then almost all of the fund's objections will have been met.

It is difficult for the *outsider* to appreciate just why the Nigerians should be willing to accept IMF conditionality—up to a point—but reluctant to accept the loan. There is enormous emotional, and even irrational, opposition to a loan programme and to one cardinal prerequisite—naira devaluation.

Without substantial devaluation—of the order of 50 per cent —the IMF loan programme will not take off and neither, in all probability, will it be possible to secure a Paris Club agreement. It is just possible, but unlikely, that the banks might agree to restructure without devaluation.

It is doubtful whether restructuring of the London Club debt, estimated at *some* US$7bn would be sufficient on its own. It would reduce this year's debt-service commitments by an estimated $1.5bn still leaving Nigeria to find a further $3bn at a time when the banks are likely to be unenthusiastic about providing new money.

The alternative options include stepping up oil production which is not a solution but merely a means of possibly achieving modestly higher export earnings or the South African option of declaring a unilateral moratorium on foreign debt repayments while continuing to meet interest obligations.

On the central bank's figures this would save $10bn in foreign currency payments over the next three years alone which would be enough to see the country through.

Without some movement on rescheduling, Lagos is going to run out of foreign currency at some point during 1986 and be forced to default. On the central bank's balance of payments projections, the *country is facing* an overall deficit of some $2.5bn this year which could be "financed" only by defaulting on loan repayments, or interest payments and a renewed accumulation of trade arrears.

It would be a very great pity if such an outcome were to occur since in the past 18 months, the Nigerians have moved a long way not only towards meeting the demands of their international creditors, but towards fundamentally restructuring their economy.

Many of the measures in the 1986 budget — reduction of the oil subsidy, a tighter fiscal stance involving expenditure cuts and the imposition of new taxes, export incentives for non-oil exports, and the commitment to privat*isation and* reduced subsidisation of parastatals — were long overdue.

But the runner who drops out 10 yards short of the finishing post, does not win the race. More seriously, having accepted — through the proposed establishment of a two-tier exchange market — the need for at least some currency adjustment, the Nigerians would be better advised to go the whole hog, not just to resolve their immediate foreign payments problems, but also to shift the balance of incentives firmly in the direction of agricultural regeneration, the development of non-oil exports and efficient industrial growth based on local-sourcing rather than imported materials.

A realistically-valued naira, or in World Bank parlance: "getting prices right," is the key to both a 1986 rescheduling agreement and to long-run structural reform.

● Forecast Debt Service Obligations in US$bn

Years	1986	1987	1988	1989
Amortisation	2.8	3.6	4.2	3.7
Interest	1.6	1.8	1.8	0.7
Total	4.4	5.4	6.0	4.4

Source: Central Bank of Nigeria

Rescheduling is inevitable

OVER THE past year the Nigerian debt crisis has moved slowly, but inexorably, towards the climax that is likely during 1986. Precisely what form that climax will take remains to be seen but present indications point to renewed efforts by the Nigerian Government, the banks and the export credit agencies to reach some kind of accommodation that would forestall "the Pretoria option" of a unilatral default and moratorium.

Nigeria's external debt problems fall into two quite distinct categories—the near-term obligations arising out of the build-up of trade arrears in 1982-83 and the medium and long-term debts amounting to some $12bn.

Debt

TONY HAWKINS

As ill-luck would have it, repayments on the medium- and long-term debt are bunched over the next few years at precisely the moment when oil prices have weakened drastically and when heavy interest and capital repayments in respect of trade arrears have to be met.

The approach adopted by most countries experiencing difficulty in servicing their external debt has been to request creditors to restructure debt service payments falling due or already in arrears.

Nigeria has moved a long way down this path already starting with the refinancing in 1983 of US$1,935bn of commercial bank letters of credit. This stretched repayments on these trade arrears through until July, 1986.

Secondly, Nigeria offered to refinance the insured and uninsured trade debts incurred in the early 1980s resulting in an agreement with the uninsured creditors to restructure all verified claims outstanding at the end of 1983. This was to be done by converting open account trade debts into floating rate promissory notes carrying interest at 1 per cent over LIBOR (London Interbank Offered rate), with maturities of six years and a grace period of 2,5 years.

The first batch of notes, valued at some US$256m, was issued in November, 1984, and although the Nigerian authorities set themselves the ambitious target of completing the note issue by mid-1985, at present a total of $1.3bn of notes has been issued out of an estimated $3bn.

There have been interminable delays in the verification of claims with some banks claiming that only 10 per cent of claims have been accepted by the Central Bank of Nigeria. Estimates of the likely final amount of uninsured debts range from $2bn to $4bn with the present consensus suggesting a figure of around $3bn.

In theory, the note issue process should be completed by October 1986 when amortisation of the notes is due to start, but on present progress and given the seriousness of Nigeria's cash flow position, this looks to be a somewhat optimistic target.

No agreement has yet been reached on the rescheduling of the insured trade debts—that is, the amount owed to the export credit agencies (ECAs) such as ECGD in Britain, Exim Bank in the US, and Coface in France.

The ECAs argue, at the so-called Paris Club where the official foreign debts of developing countries are traditionally renegotiated, that no rescheduling agreement can be reached unless or until Nigeria reaches an accommodation with the International Monetary Fund.

Since President Babangida rejected the IMF programme last December, the talks have been stalemated, though recently there has been a good deal of speculation over the possibility of Lagos and the IMF reaching agreement on a form of words — as distinct from Nigerian acceptance of an IMF loan programme — that would unlock the door to a rescheduling deal

Growth

Despite the impasse, the Nigerians have agreed to make payments — in lieu of interest —retroactive to January 1984 on the arrears owed to official creditors that are estimated at around $2bn, making a total of about $5bn in all for trade arrears. To date only some $433m of such official claims have been verified, making a total of $1.7bn verified to date out of an estimated $5bn in all.

Estimates of Nigeria's total foreign debt and of future debt service obligations vary widely, but figures used by the international agencies point to rapid growth in the debt outstanding from $13bn at the end of 1982 to $18.3bn in December 1984 and to more than $20bn last year.

The main source of growth in the debt has not been new medium and long-term commitmetns, but the impact of the rescheduling of the trade arrears and their consolidation into medium-term obligations.

Thus, between 1981 and 1984 during which time Nigeria's foreign debt more than doubled, net new medium and long-term borrowings (after deduction of amortisation of such loans) accounted for only $2.5bn or about one-quarter of the country's increased external obligations.

By contrast, net accumulated arrears, along with the rescheduled arrears, totalled nearly $8bn. It is this build-up of arrears that transformed what was by third world standards a modest foreign debt commitment—a mere 12 per cent of Gross Domestic Product —into the crippling burden that it has now become

This combination of the build-up in trade arrears and the bunching of maturities for repaying medium- and long-term debts over the next three years, will force Nigeria to reschedule —even if this can only be done unilaterally—during 1986.

This was made clear in the 1986 budget when the Nigerian authorities set a ceiling of 30 per cent of their anticipated export earnings for external debt-service. Since the budget was presented, the continued fall in the oil price has raised new doubts about the official export projections suggesting that Nigeria—if it were to stick to the 30 per cent ceiling—could have considerably less foreign exchange to meet foreign debt commitments than the $2.85bn notionally provided in the budget.

Gloomy scenario

Like the debt calculations, debt service projections vary considerably, but the Central Bank's own estimates show debt service commitments rising from $4.40bn in 1986 to $5.4bn next year and a peak of $6bn in 1988 before falling back to $4.4bn again in 1989.

Assuming an oil price averaging $20 a barrel and exports of 1.2m barrels daily, this suggests a debt-service ratio averaging 66 per cent annually during the 1986-88 period.

Clearly, a higher oil price, increased oil exports or the development of substantial non-oil exports would improve this rather gloomy scenario, but given the need for merchandise imports of at least $7bn annually, it's clear that Nigeria simply cannot—and will not—meet such a high level of debt-service payments. In other words, a rescheduling—unilateral or mutually-agreed—is inevitable.

What is in doubt is its precise timing—though mid-1986 would seem to be a crucial period—and the manner of its achievement.

As if Nigeria's external debt difficulties were not enough, the country also faces the urgent need to reschedule the public sector's domestic borrowings.

At the end of 1984, the public sector's internal debt was estimated at N43bn of which N26bn represented borrowings by the Federal Government in the form of Treasury Bills and Certificates and Stock Issues. A further N7bn represented arrears payable to contractors and banks by the Federal government and a similar N7bn payable to contractors by state governments. The states also owe commercial and merchant banks a further N3bn.

The maturity profile is far worse than that of the external debt with 91 per cent of the internal debt maturing between December 1984, and the end of this year, but perhaps the most worrying aspect of the internal debt is the amount owed to banks and contractors.

At the end of 1984 this exceeded N17bn and since most of this represents bank financing—directly and indirectly—the key problem is the solvency of some of the banks themselves. Its been calculated that the N17bn outstanding represents about 11 times the total equity of Nigeria's commercial and merchant banks.

The root cause of the domestic debt crisis was excessive spending by the state governments and the parastatals, with the budget deficit of state governments averaging N3bn annually in the early 1980s. While both the Buhari and Babangida administrations have imposed tight fiscal controls at both state and federal level, the fact remains that the largely-unpublicised internal public debt problem could escalate into as serious an economic crisis as the country's external debt difficulties.

Having come to terms with its external creditors at some point during the year, the military Government will have to turn its attention to the restructuring of its internal borrowings before they, too, develop into an unmanageable financial crisis.

Devaluation remains bone of contention

IMF Debate

TONY HAWKINS

SHORTLY AFTER seizing power last August, President Babangida called for a public debate over Nigeria's negotiations with the IMF. What followed was frequently emotional and often irrational, itself hardly surprising given the fact that all levels of the population, including those with only the haziest grasp of the issues took part.

Some bizarre arguments were advanced by members of the Nigerian academic establishment, firmly convinced that Nigeria is not just a special case, but an economy that benefits from a much-overvalued exchange rate. By the time the Military Government announced its rejection of an IMF loan agreement, it was obvious that there was—and still is—massive public opposition to the IMF.

With hindsight, it's clear that in initiating the debate the the President badly miscalculated the outcome. So one-sided was the dialogue that it was dubbed: "The debate that never was."

The media were hostile to the IMF programme with the result that important issues were brushed aside and little or no serious consideration was given to alternative options.

Shortly after formally announcing its rejection of the IMF terms, the Babangida administration introduced a budget which met many of the Fund's demands, implying that the dialogue with Washington will be resumed before much longer.

It was almost three years ago, in April 1983, when the Shagari Government formally applied to the IMF for balance of payments support under the three-year Extended Fund Facility programme.

Under present regulations, Nigeria is entitled to a loan of between $1.75bn and $2.2bn which would have a grace period of three years followed by a five-year repayment schedule, during which time interest would be payable at between 6 per cent and 7 per cent.

Acceptance of an IMF programme would open the way to a Structural Adjustment Loan from the World Bank and to other official and private lines of credit, while paving the way for orderly restructuring of Nigeria's foreign debt.

The principal conditions laid down by the Fund were:

(1) A reduction in Government capital expenditure to a maximum of N4bn annually The revised 1984 budget presented by the Buhari administration did, in fact, set a capital spending target of N4bn but this has since been raised to N5.8bn last year and a forecast N5.8bn in 1986, though in both years more than N1bn was set aside for repayment of loans.

If this is deducted, actual capital spending closely approximates the IMF ceiling.

(2) Greater budgetary discipline and lower budget deficits. On recurrent account, the Military Government transformed a small N131m deficit in 1983 into a budget surplus of N1.8bn last year. When capital spending is taken into account, the overall budget deficit has been reduced from N6.2bn in 1983 to N4.5bn last year and N0.5bn projected for 1986—showing a major tightening in fiscal stance.

Subsidy

(3) The IMF required reduction of subsidies on fertiliser and domestic petroleum sales. The fertiliser subsidy is being phased down to 25 per cent by 1988 while the petroleum subsidy—previously one of the sticking points in negotiations with the Fund—was cut by 50 per cent, implying savings of N900m in the 1986 budget. Presumably, the IMF will continue to press for further gradual reductions in this subsidy.

(4) Reduced financial support and subsidies for parastatals. In the 1986 budget, transfers to economic parastatals have been cut by 50 per cent with the intention of forcing the state-owned industries to rationalise their finances by raising prices and trimming costs. At the same time, the Babangida Government is committed to privatising its investments in non-strategic industries and reducing its holdings in strategic sectors such as banks and insurance.

(5) Rationalisation and simplification of the tariff structure. Successive Nigerian governments have taken steps to rationalise their tariffs since 1984 with further changes being made in last month's budget.

(6) A review of interest rate policy. The IMF called for higher interest rates and a narrowing of the spread between deposit and lending rates designed to encourage savings. The Fund also wanted to see a reduction in the number of sectors designated for credit allocation targets by the Central Bank. This latter problem was tackled in the budget with the number of such sectors being reduced to 4, but real interest rates—both lending and deposit—remain substantially negative.

(7) The Fund called for a vigorous export promotion programme and this has been included in the 1986 budget.

(8) Increased producer prices for farmers were suggested by the IMF and this was also acceptable to the Nigerian authorities.

This leaves two crucial areas of disagreement — the IMF call for trade liberalisation and its requirement that the naira be devalued. The trade liberalisation requirement is obviously a long-run policy objective. Clearly, it would be unrealistic to expect Nigeria to substantially eliminate trade barriers while its external payments situation remains precarious.

Crucial areas

A realistic medium-term strategy would be a co-ordinated programme of protective tariffs on the one hand, to replace existing administrative controls on imports, allied with compensatory devaluations of the naira. The trade liberalisation condition is unlikely to represent a major obstacle to an IMF agreement with Nigeria.

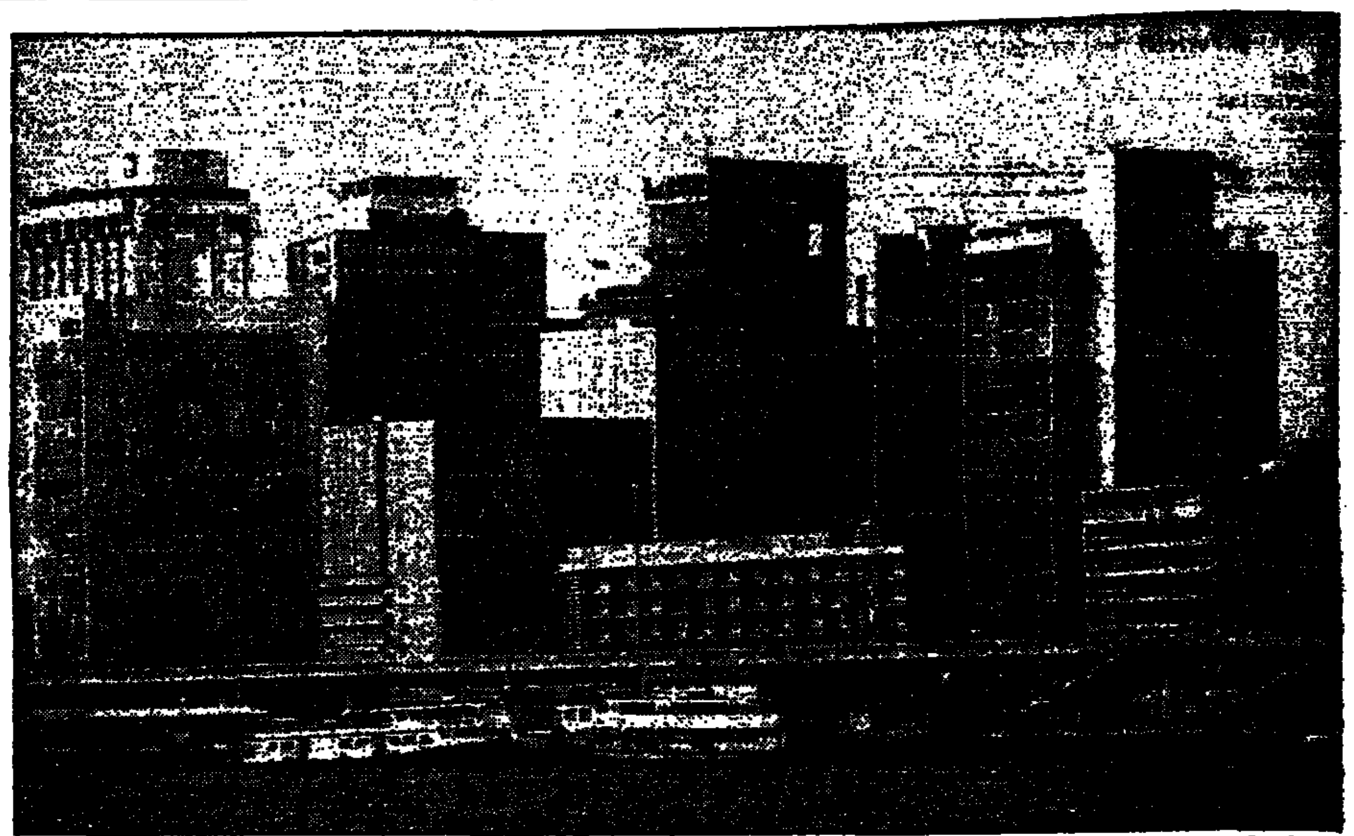
But, by contrast, exchange rate disagreement poses formidable problems. Initially the Fund was seeking a 25 per cent to 30 per cent immediate naira devaluation to be followed by further downward adjustments as and when necessary. Given the substantial real effective appreciation of the naira in the three years since the IMF negotiations began, its likely that the devaluation factor today is closer to 50 per cent.

Its clear that over the past three years the deteriorating oil market, Nigeria's worsening foreign payments position and deepening domestic recession have convinced some of the country's key policymakers of the need for an IMF programme. This is evident from the broad agreement reached over a range of issues. A year ago, talks had been stalled by disagreement over three crucial issues — the domestic petroleum subsidy, trade liberalisation and devaluation.

Today, Lagos has moved to meet some of the Fund's objections on the petroleum subsidy, while trade liberalisation is more of a qualitative and altogether less immediate issue. This leaves devaluation as the one remaining major bone of contention.

As the months go by and Nigeria's liquidity situation worsens further, so the pressures to devalue will intensify, but given the comprehensive victory of the anti-IMF, anti-devaluation lobby in the debate that never was, a pro-devaluation consensus is most unlikely to emerge. As one Lagos banker puts it: "Military governments are put there to run the country — not to follow the media."

Having come this far towards resolving Nigeria's economic difficulties, it would be a great pity indeed if the Babangida administration were to pull back now.



Lagos, the commercial capital of Nigeria. Critical observers worry about the national penchant for smothering enterprise in a blanket of bureaucracy

Tony Hawkins looks at government moves towards greater realism in establishing the true value of the naira.

Two-tier exchange market

NIGERIA'S PLAN to establish a two-tier foreign exchange market is a move towards greater exchange rate realism in two main respects. First, it will allow the emergence of a market rate to take at least some of the strain in terms of allocating scarce foreign exchange resources. Secondly, it provides a mechanism for legalising the illegal black market by replacing it with a legal "parallel" market.

On the face of it, it would seem that in agreeing to the creation of the second tier, the Nigerian authorities have accepted the unpalatable reality that the naira is substantially overvalued. And yet, there are those who very obviously see the two-tier rate as an ingenious means of yet again avoiding the need to come to terms with harsh reality in the form of full-frontal exchange rate adjustment.

Nowhere is this strategic conflict more evident than in two of the budget documents themselves. The President, in the budget address, and former Finance Minister Kalu Kalu in his budget briefing, both openly acknowledge the need for a flexible exchange rate policy.

But Chief Kuye, Director of the Budget argues in a widely-circulated paper that the official rate needs to be held close to parity with the US dollar for a minimum period of 12 months.

During this initial period, he says, only the second tier rate should be allowed to fluctuate in response to market forces. This would seem to constitute a reversal of the "sinking peg" approach to exchange rate policy which took the naira down some 23 per cent against the US dollar in the 15 months prior to the budget.

As conceived by Chief Kuye, the official exchange rate will be used for major exports (oil and cocoa) and also to finance essential imports of raw materials, foodstuffs, military hardware, and capital equipment as well as for debt-servicing and other essential invisible costs.

The second window will be used to finance imports for which official foreign currency allocations have not been made available by the Central Bank. This parallel market could also provide foreign exchange for student fees abroad, foreign holidays and business trips, and any other "unauthorised" spending on invisibles or merchandise imports.

The theory is that the second-tier rate would settle somewhere between the official rate of one naira to the US dollar and the existing black market rate of about five naira to the dollar.

Three initial moves to create the second window have been announced and are in varying stages of implementation.

The first, announced a year ago, was the decision to allow Nigerians to establish so-called domiciliary accounts which enables a resident to open a foreign currency bank account in Nigeria.

No questions asked

The authorities have said that no questions will be asked on the origin of any such funds repatriated to Nigeria and that residents will be now allowed to exchange their US dollars in the parallel market for five naira rather than the one naira rate ruling in the official market.

This is seen as an attractive inducement to repatriate "flight capital" which would then create a pool of foreign currency that potential importers can bid for. The greater is importer demand for foreign currency the more naira the Nigerians will get for his dollars.

The second important step was the decision to allow exporters of non-traditional exports to keep for their own use 25 per cent of their foreign currency earnings. Such earnings could be brought back into Nigeria at the attractive free market exchange rate, thereby further boosting the domestic pool of foreign exchange.

The third move is the recent issue of import licences "not valid for foreign exchange." Unlike the other two supply-side measures, this is a demand-side programme that will enable importers to bring in non-essential imports of their choice, provided they purchase the foreign currency at the second window at a punitive exchange rate. It is reported that up to N2bn of such licences are being issued in apparent anticipation that the supply-side measures will work effectively to create the necessary pool of foreign exchange.

While on the surface the second-tier market offers advantages all round, there are some very real snags and deeply-held reservations. So far as the domiciliary accounts are concerned, it is pointed out that these were first announced 14 months ago and the Government has taken an inordinate time to get its act together and bring forward some practical regulations concerning the operation of such accounts. It is believed, too, that many Nigerians with funds outside the country will be extremely reluctant to repatriate them since few of them are likely to have any great confidence in the Government's assurances that they will not be prosecuted or penalised in any way. There is a very real danger that a different administration at some future date will disown the present government's policies.

There are some real doubts too over the viability of the scheme. Already with a weaker naira and the 30 per cent import levy imposed in the budget, import prices are rising steeply.

The second window could lead to import price increases in excess of 600 per cent after allowing for a 450 per cent exchange rate mark-up, the 30 per cent levy, and the margin of profit that traders are likely to seek in using the second-tier.

It is argued that while such profit margins might be available on fast-moving items like motor vehicle spares or car tyres and batteries, the range of products that could absorb such price increases without being priced out of the market is a relatively narrow one.

In other words, the demand for import licences could fall well short of the levels currently anticipated by the Government.

Other critics worry about the Nigerian penchant for smothering enterprise in a blanket of bureaucracy and red-tape. Chief Kuye's paper involves trading in foreign currency "coupons" on the stock exchange or in the money markets, the endorsement of travellers' passports, returns by commercial banks to the Central Bank and the exclusion from the second-tier market of all non-residents, companies as well as individuals. There is a very real danger that far from liberalising the exchange markets the authorities will merely create new layers of bureaucracy..

Effect on inflation

The system could have both favourable and negative implications for inflation. By increasing the supply of goods, it could help contain inflationary pressures, but more likely is rapid inflation fuelled by steeply rising import prices as traders go all out to make the most of their foreign currency operations.

If the two-tier market can be managed efficiently, it will help ease the scarcity of goods by allowing the importation of larger volumes of essential and non-essential imports and by mobilising idle balances held abroad by Nigerians. It would also have the beneficial effect of demonstrating beyond all doubt just how over-valued the naira is at its current official rate.

Equally, it would be unfortunate if the system were to work, as some of its sponsors intend, to enable Nigeria to continue to avoid the need for a comprehensive economic adjustment programme — one that includes a realistic exchange rate, in the official as well as in the parallel market.

The best outcome would be one that convinced the authorities of the benefits to be reaped from financial liberalisation—but without careful management and possibly some initial seed capital in the two-tier market from the first window—that may be asking too much.

UK investment in industry still valuable

Foreign participation

TONY HAWKINS

WHILE much is made of Nigeria's importance to Britain as a major trading partner, the role of British foreign investment in Nigeria is often overlooked. The most recent data available (for 1982) show that in that year foreign investment was valued at some N5.3bn of which the British share was almost N2bn, or 37 per cent.

The table shows that the British share of foreign investment in Nigeria shrank from 44 per cent in 1970 to 37 per cent in 1982, while the US share was effectively maintained. The shares of other Western European countries increased sharply from 23 per cent to 29 per cent. The bulk of the foreign investment is in manufacturing (36 per cent) and trading and business services (28 per cent).

The mining share (mainly oil) is just short of 20 per cent. It doubled between 1970 and 1977, when it reached N1.1bn and when foreign investment in the petroleum sector accounted for 45 per cent of the total, but subsequent indigenisation decrees and state participation substantially reduced the foreign equity stake.

Published figures show the stock of foreign-owned capital in the economy growing at an annual rate of 15 per cent between 1970 and 1982, though actual net inflows through the foreign exchanges were far less.

However, a closer inspection of detailed figures for the 1980-1982 period shows that of net foreign investment over the three years of some N2.2bn, a high proportion was in the form of short run commitments, some of them essentially involuntary. Thus, only N170m represented changes in foreign share capital.

The main source of new foreign investment was "other liabilities," valued at a net N875m during the period. Of this more than N650m took the form of short-term liabilities, raising questions as to whether this constituted direct investment in the normal sense of the term.

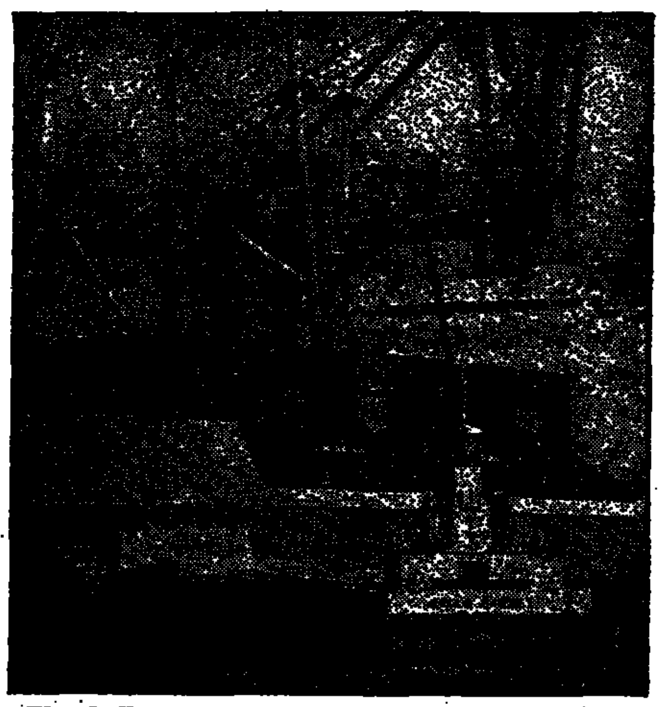
Indeed, similar comments apply to other major components in the foreign investment accumulation process: N677m arose from unremitted profits retained with Nigeria as a result of tighter exchange control regulations and delays in remitting dividends; a further N523m was derived from trade and supplier credits—again often reflecting delays in paying parent company suppliers.

Therefore out of net foreign investment of N2.2bn, no less than N1.85bn or more than 80 per cent seems to have been either forced reinvestment (in the sense of unremitted profits) or short-run liabilities, much of which will eventually find its way back into the foreign payments pipeline.

Balance of payments figures support this rather sobering assessment of Nigeria's foreign investment record, suggesting that the country has at most, in the past five years, attracted some N800m in new direct investment from abroad—no more than N160b a year.

The Central Bank's analysis of the paid-up capital, excluding reserves, of all partly and wholly-owned foreign firms in Nigeria, suggests that in 1982 almost half the share capital of Nigerian companies was owned abroad, with foreign ownership least in the petroleum sector (21 per cent) and greatest in transport equipment (67 per cent).

The bank's figures clearly indicate that Nigeria needs to attract more long-term capital inflows to boost job-generation, improve technology and strengthen the balance of payments.



The bulk of Nigeria's foreign investment is in manufacturing, trading and business services

Foreign investment in Nigeria

	1982		1970
	N bn	% share	N bn
UK	1.99	37	0.44
US	1.17	22	0.22
Other Western Europe	1.56	29	0.23
Others	0.66	12	0.1

Source: Central Bank of Nigeria.

Austerity and recession help to boost company results, reports Tony Hawkins

Corporate profits still rising

CORPORATE profitability in Nigeria, an unusual by-product of austerity and recession, has continued to thrive amid increasing predictions that this almost bizarre trend is unlikely to be maintained through 1986. The 1984-85 results for some 46 quoted Nigerian companies show that while gross turnover was marginally higher — up 2 per cent — pre-tax profits increased by 30 per cent. Profit margins — (pre-tax earnings as a ratio of turnover) widened handsomely from less than 9 per cent in 1983 to 12.7 per cent in 1984 and 16.2 per cent last year, virtually doubling in the last two years.

A year ago industrialists described the surge in profitability as "a one-off" that would not last through 1985. In the event, the trend was not just maintained but accentuated, though in early 1986 there is a strong consensus that a reversal is in sight.

Nonetheless, the ability to maintain and increase profits in the face of stagnant or even declining turnover points to some improvement in productivity and efficiency as belt-tightening stimulated more effective business management. In the food sector, Food Specialists announced a 24 per cent decline in turnover during its most recent reporting period, but pre-tax profits more than doubled.

Patterson Zochonis reversed a 10 per cent 1984 turnover decline with turnover growth of 11.5 per cent during 1985, while pre-tax profits were up 50 per cent. Cadbury virtually maintained its profits in the first half of last year in spite of a 15 per cent fall in turnover, while Nigerian Tobacco secured 50 per cent profit expansion on the back of a 6 per cent turnover improvement. Tate and Lyle (Nigeria), boosted profits 152 per cent in the half-year to March 1985, in spite of a marginal decline in turnover.

Contributions to profit gains in the last two years have come from a weak trade union movement, firm labour discipline under the Buhari regime, large-scale retrenchment, a continuing rundown in raw material stocks and inventories of finished goods, the normal holding gains experienced under inflation and productivity improvements, associated with better management. The profit gains seem even more impressive because they were achieved in an industrial sector operating on average at less than 40 per cent of installed capacity.

Also important has been the switch into higher mark-up items as output has contracted or stagnated. Production schedules have been re-oriented to allow firms to concentrate on the higher margin items, thereby exploiting scarce raw material supplies to the fullest.

Today, however, industrialists are increasingly convinced that an end to the profit honeymoon is in sight. Industrial discipline has started to fray at the edges with recent disputes at Dunlop, Cadbury and PZ.

Business leaders say that this is explained by the change over to the more tolerant Babangida regime as well as by the tightening of the austerity screw and especially the 2 per cent wage cut imposed late last year. But more telling than this is the likelihood that by early 1986, the once-off gains associated with a recessionary economy have been exhausted. There is little scope for further leeway in the realms of retrenchment and inventory reduction, while at the same time, the 30 per cent import levy, naira depreciation, accelerating inflation in 1986 and stagnating disposable incomes are likely to make it harder than ever to secure meaningful profit gains.

It is true that the scarcity factor will allow the middlemen to continue exploiting demand opportunities, but the organised business sector—and certainly the industrial companies—are hardly likely to benefit materially from this situation.

In any event, the pre-tax profit figures are somewhat misleading on three main counts. First, higher corporate taxes were imposed in the 1986 budget with its sliding-scale surcharge on after-tax profits ranging from 5 per cent to 15 per cent depending on the level of profitability. This will trim shareholder returns as also will the similar surcharges on dividends.

Secondly, foreign companies with Nigerian associates and affiliates are carrying substantial costs in the form of the depreciating value of dividend income. The receipt of the income itself at corporate headquarters was substantially delayed by the foreign exchange crisis. At the same time, many associate company suppliers have been waiting years for payment of trade arrears, which has adversely affected headquarters profitability.

Above all, with inflation of 70 per cent since 1982, real profits are much below reported profits. Some businessmen believe that there has been serious erosion of the corporate capital base because of inadequate depreciation provisions associated with historic cost accounting in a highly inflationary economy. It is argued that when new and replacement investment becomes necessary (and possible) many companies will find themselves in a liquidity bind partly because their reported profits during the recession substantially overstated real returns.

Patti Waldmeir observes a lively gathering of Union Bank shareholders.

Shareholders rise to ask questions at the Union Bank meeting

Lively bank AGM

THE QUEUE begins to form before 7 am in the haze of a January morning in Lagos which promises to be a scorcher.

The event of the day, the annual general meeting of the Union Bank of Nigeria, one of the country's largest banks, will not begin until 11 am but already several hundred of the bank's 26,000-odd shareholders (or, in many cases, their proxies) are patiently waiting at the door.

Their eagerness, as bank public relations officials candidly admit, may not wholly be explained by a diligent concern for the proper management of their investment. Mr Paul Ogwuma, Union Bank managing director and chief executive, says "They come for the give-aways."

The distribution of agm gifts —which may range from mundane items like diaries and calendars to more imaginative offerings such as the cassava-meal packets given out at a recent Texaco Nigeria agm ("good food for our shareholders, good will for our company" said the Texaco general manager)—has become somewhat of an institution in Nigeria.

Shareholders, many of whom plead pressing business elsewhere, may skip the meeting but won't fail to send office messengers and secretaries, wives and daughters clutching their proxy cards to collect the coveted present.

According to bank officials, it's a rare agm which passes off without a scuffle at the gifts table, as tempers overheated by waiting flare up when the presents, inevitably, run out.

High passions, at first glance, appear to be the order of the day inside the conference hall as well, where corpulent shareholders decked out in richly coloured robes complain bitterly of poor service at the bank's branches, its low recovery rate on loans, and the high level of directors' salaries.

The speakers are careful to provide plenty of light relief to temper their harangue—one contributor offered to form a shareholders' vigilante brigade to help out with debt collection and the directors (even those imported for the occasion from Barclays Bank in the UK, a 20 per cent shareholder) join heartily in the laughter.

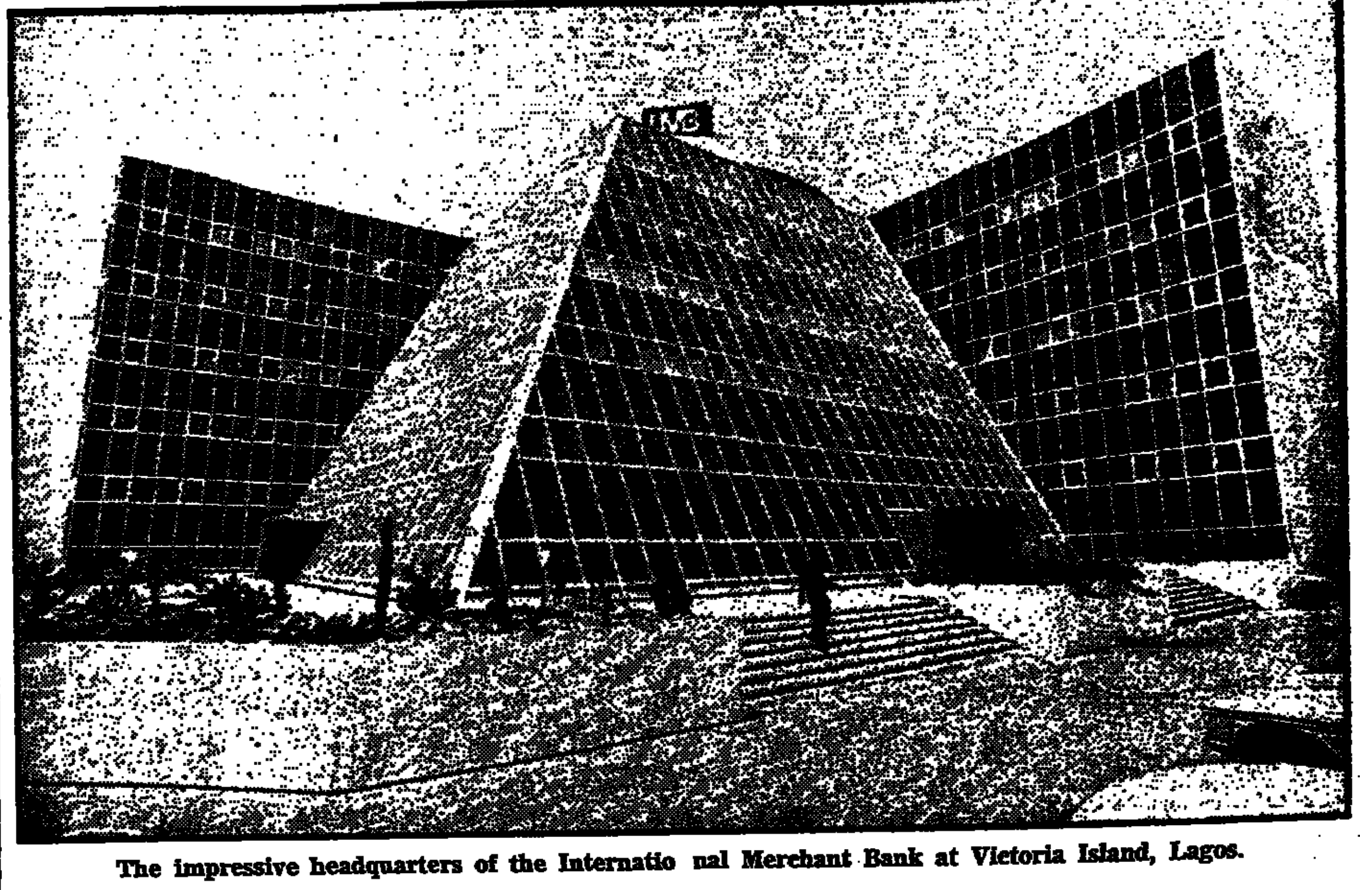
The performers are the so-called "agm boys," a handful of men who, between them, attend virtually all the major companies' agm's and dominate them with their learned, and unfailingly lengthy, critiques of company policy.

The doyen of the "professional shareholders" corps, Mr Akintunde Asalu, is proud of his role as watchdog over the Nigerian corporate sector. "I attend maybe 40 agm's in a year, and I prepare (contributions) for all of them. Before, agm's took 10, maybe 15 minutes. Now they take hours, and it has made a real difference in the way companies are run."

Union Bank officials say they are glad of the scrutiny provided by the agm boys. None the less, there was an audible sigh of relief when the managing director cut short contributions from the floor and announced that "sundry entertainment and small chop (snacks)" would be provided in the foyer.

Neither the officials nor the professionals saw fit to wait for the small chop, however, so they were not around when about 100 eager shareholders overpowered two diminutive police constables in a pitched battle over three trays of cocktail canapes, as soft drink bottles flew through the air in the general melee.

One bank official—referring more, one assumes, to the stimulating meeting than to the scrimmage that followed, said: "Companies in the UK should get such a lively response."



The impressive headquarters of the International Merchant Bank at Victoria Island, Lagos.

A marked slow-down in public sector borrowing

Banking

TONY HAWKINS

NIGERIA'S HEAVY indebtedness to the banks—domestic as well as foreign—has long been a major source of concern to the banking fraternity. While in the past, Nigerian business has been extremely profitable —so much so that during the last year, some of the domestic banks have been able to publish sparkling results—the major international banks have recently been reining in their offshore lending to Nigeria in reaction to plumeting oil prices and the seemingly interminable delays over the rescheduling of the country's foreign borrowings.

Despite this, Nigeria's bank exposure remains very high—the third highest in Africa, after South Africa and Liberia.

Statistics compiled by the Organisation for Economic Co-operation and Development (OECD) and the Bank for International Settlements (BIS) show Nigeria's borrowings from international banks at $9.5bn in mid-1985

Comparisons

Although banks say they have been cutting back on Nigerian lending, there was, in fact, an increase of close on US$1bn in the first half of last year, but the June 1985 figure was still below the US$9.8bn recorded at the end of 1983. However, the medium-term trend clearly reflects a change in bank exposure strategies.

While Nigeria's bank borrowings doubled between 1980 and 1983, there has since been a modest reduction in exposure—a trend that is likely to be maintained over the next 18 months.

Although Nigeria's US$9.5bn exposure pales into relative insignificance against the $78bn outstanding to Brazil, $72bn for Mexico and $32bn for South Korea, it still ranks the top 20 of the banks' international creditors and, given the continuing impasse with the IMF on the one hand and the export credit agencies on the other over rescheduling, its hardly surprising that it is giving at least some bankers a high quota of sleepless nights.

In particular, the fact that more than $8bn of these bank borrowings had a maturity of up to a year at a time when Nigeria's foreign earnings are under pressure from falling oil prices has given rise to speculation that the banks might just go it alone and seek to reschedule their Nigerian lendings even in the absence of an IMF deal.

The public sector is Nigeria's main borrower from the foreign banks accounting for 48 per cent of total bank loans, while the non-bank private sector has a 35 per cent share. Most of the balance—12 per cent—takes the form of international bank lending to banks in Nigeria. Public sector borrowing dominates domestic bank lending as well with loans totalling N19.5bn in September last year—almost 60 per cent of net credit to the domestic economy.

Bank lending to the Government took off during the period of civilian rule increasing at an annual rate of 55 per cent between 1981 and 1983, but the military Government succeeded in slowing the annual growth rate of its borrowings to a mere 11 per cent in its first two years in office.

This marked slowdown in public sector borrowing was reflected in substantially slower credit expansion during the past two years. Total credit increased 70 per cent in the 1981-83 period, slowing to 10 per cent during 1984—the first year of military rule—declining further to no more than 5 per cent in the nine months to September, 1985.

This meant that the authorities stayed within their credit guidelines, set out in the budget a year ago, of 7 per cent monetary expansion in 1985. It is part of the Government's anti-inflation strategy in 1986 to maintain this more modest rate of credit expansion.

Commercial bank lending grew at an average annual rate of 25 per cent a year in the period up to 1984, with Government borrowing expanding at more than 50 per cent annually compared with only 14 per cent growth in the private sector.

One result of this growth pattern has been the effective doubling of bank liquidity ratios in the past five years. Bank liquidity today stands at around 68 per cent — way above the statutory 25 per cent requirement. One reason for this steep increase is the real decline — after adjustment for inflation — in private sector credit demand reflecting a sluggish economy along with high levels of corporate liquidity.

But more important has been the growth of bank holdings of Government securities, especially treasury bills. Bank holdings of treasury bills soared to more than N8.2bn last September from N2.2bn in 1981. Today, the banks are estimated to hold 55 per cent of their total deposits in the form of government securities — up from only 25 per cent in 1980.

Compensations

Normally, being underlent is bad news for bankers, but in Nigeria being able to earn 8 per cent and more in riskless activities, such as Government bills, has very real compensations especially when grave doubts are expressed about the quality of so much of their banks' other assets—notably their loans to state governments and to small- and medium-sized businesses.

Some idea of the scale of this problem is gleaned from recently published accounts. Thus, Union Bank, one of Nigeria's Big Three retail banks recently established a Debt Recovery Unit, while reporting bad and doubtful debt provisions of some N56m — equivalent to almost 70 per cent of pre-tax profits. The bank has N183m set aside to meet bad debts — roughly 11 per cent of its book.

Despite this large provision and a small 1.3 per cent decline in total lending, Union Bank, in which Barclays has a 20 per cent stake, still managed to achieve a 42 per cent increase in pre-tax profits taking earnings to N81m. This is because net interest revenue was up 16 per cent reflecting the investment of low-cost funds chiefly in Government securities.

Explanation

The accounts show income from treasury bills and certificates increasing N37m to N163m in the year to September, 1985, which on its own explains the profit surge.

At the same time, however, there has also been a marked improvement in bank efficiency evidenced by an increase of only 6 per cent in overhead costs.

On the deposit side, a major source of the growth in bank liquidity is the holding by the banks of Naira deposits which will eventually be exchanged for promissory notes as they are issued. A further N3.3bn of notes is scheduled to be issued by October, which will both substantially reduce the banks' deposit base while also denying them the income from treasury bills.

Understandably, deposit growth has been uneven with the emphasis on time and savings, deposits which increased 72 per cent in the four years to 1985 as against a 25 per cent rise in demand deposits.

Banking activity remains highly concentrated with the three main retail banks—First Bank, Union Bank and the United Bank for Africa (UBA) —accounting for upwards of 50 per cent of total activity.

By mid-1985 there were 28 commercial banks operating 1,230 branch offices around the country, and 11 merchant banks.

The merchant banks are relatively more profitable, managing to earn upwards of 1 per cent on total assets while the big three clearers—UBA with 0.88 per cent in 1984, Union Bank with 0.70 and First bank with 0.61 per cent—show lower rates of return partly as a consequence of Nigeria's rural banking programme which has required them to open up unprofitable branch offices in remote parts of the country.

At the foot of the profitability pyramid come the so-called indigenous banks, many of which are poorly managed and carry asset portfolios containing a high proportion of loans to high-risk borrowers.

Profitable though banking has been for the international banks, at least two of the major foreign banks are in the throes of withdrawing from the Nigerian scene. Chase Manhattan which is trying to sell its 40 per cent stake in Chase Merchant Bank of Nigeria while Morgan Guaranty had agreed to sell its 25 per cent stake in ICON Merchant Bank to Societe Generale de Banque of Brussels only to have the sale blocked by the Government.

Chief M. O. Balogun, the chairman and chief executive of the First Merchant Bank. By mid-1985, there were 28 commercial banks operating 1,230 branch offices in Nigeria, and 11 merchant banks.

Strategies

In both cases, the decision to divest from Nigeria is the result not of poor performance but rather of the fact that minority-owned foreign banking ventures no longer fit into the two groups' international corporate strategy.

Interest rates are controlled by the Central bank and this year, both deposit and lending rates have been left unchanged at their 1985 levels—9 to 10 per cent for deposits and a maximum lending rate of 13 per cent. In the budget, the Government stated its intention of narrowing the gap between lending and deposit rates which would reduce the spread obtained by the banks.

Real rates have been substantially negative in recent years — reaching a negative figure of more than 30 per cent for both deposits and loans in 1984. The steep decline in inflation last year resulted in a momentary return to positive rates, but this year, with inflation forecast to exceed 30 per cent, the return to negative real interest rates will come under criticism from the IMF at any resumed discussions for a new fund programme.

There are at least some signs that the Babangida Government is committed to the financial liberalisation that would significantly benefit the banking system.

The credit allocation system requiring banks to lend stipulated ratios of their total loans to designated sectors is slowly being rationalised. The number of sectors has been reduced from 15 (of which 10 were preferred sectors) to four. Around 75 per cent of bank lending has to be directed to the preferred sectors — with industry at 45 per cent being the chief target followed by agriculture at 12 per cent.

In the past, these criteria have been made more rather than less rigorous through government insistence that—as in 1983—the banks allocate 80 per cent of credit to indigenous borrowers, with 16 per cent being reserved for small-scale Nigerian enterprise.

The emphasis on indigenous loans was intensified in 1984 to 90 per cent but subsequently dropped as partial liberalisation occurred, but the requirement to lend to small scale enterprise remains.

A major shortcoming has been the failure of banks to reach the specified targets resulting in excessive lending to services, government and other banks.

While the Government's anxiety over lending to small enterprises and to agriculture is readily understandable, experience shows also that it is costly and ineffective. The continuing failure of rural development programmes to take root suggests that an incentive approach rather than more and more financial repression is what is needed.

The future of Nigerian industry remains highly uncertain, with shortages bringing many factories to a halt, as **Peter Blackburn** reports here.

Shortage of raw materials

NIGERIAN INDUSTRY continues to limp along slowed down by a shortage of raw materials and spare parts and with the ingenuity of managers increasingly stretched in order to maintain profits despite a sharp decline in turnover and rapidly shrinking stocks.

A particularly painful situation in Nigeria's Cross River State adjoining the Cameroun border was recently highlighted by the 38-year-old military governor, Colonel Dan Archibong.

The Calabar Cement Company, one of the country's most modern, is virtually closed due to a shortage of spare parts and import licences. The Asbestonic water pipe factory is "on its knees" because the state government has no money for any water supply schemes. Some N3.5m provided to the state plywood company Seromwood in 1983 has "vanished into thin air" and it now does not even have a saw.

Elsewhere, the future remains highly uncertain as factories grind to a halt after running out of raw materials and spare parts pending the issue of the first batch of 1986 import licences expected by the end of February. Some managers have chosen to reduce shifts and scale down production in order to remain in operation.

Even if new import licences are issued shortly and letters of credit can be confirmed many factories will not be able to restart production until June due to the time taken to order, inspect, ship and clear goods through Lagos port.

Forecast

"It will be another very difficult year with the first six months extremely sluggish as there are practically no stocks to carry over," says Manufacturers' Association of Nigeria's (MAN) executive director, Mr Oladapo Fafowara.

"It will take another five years before debt service becomes more manageable and greater government resources can be released for productive investment," he adds.

Meanwhile little new investment can be expected given political uncertainties, foreign exchange constraints, Government regulations and poor infrastructure.

Industry is currently operating at only about 30 per cent capacity, according to industry estimates. This compares with 44 per cent during the first half of 1985, according to a Central Bank of Nigeria survey.

Amidst the general gloom and inactivity it is perhaps surprising to learn that real GDP rose 2.4 per cent in 1985 compared with a 5.5 per cent decline the previous year.

Output rose 12.1 per cent during the first six months of 1985 as a result of the extension of unused 1984 licences and increased allocations. It also reflected extra power supplies to industry and greater consumption of local raw materials, according to the Central Bank.

Growth was mainly in the agricultural, petroleum and manufacturing sectors. The most buoyant industries were brewing and soft drinks, grain milling, soap and detergents, chemicals and textiles even though the supply of import licences fell far short of demand.

And in the 1986 budget speech Major General Ibrahim Babangida said that the Government aimed to raise industrial output to 55 per cent of capacity.

To this end manufacturing industry will be given second priority, after agricultural chemicals and spare parts, in the allocation of licences to import raw materials and spare parts.

President Babangida added that Government policy was designed to "restructure and diversify" the economy so as to reduce dependence on oil and imports.

Another budget theme was the privatisation of public enterprises judged to represent an "unneccessarily high burden on Government resources." Government subsidies will be reduced by at least 50 per cent and public enterprises will be expected to raise the balance of their financial requirements through increased tariffs and rates.

The Government is to sell its holdings in agricultural production, hotels, breweries, distribution, electronics and all non-strategic industries.

The First Bank of Nigeria points in a report to the "staggering inefficiency" in the use of public sector funds. The Government invested N23bn in public enterprises over six years but received an equity return of under 10 per cent which is less than the interest on a savings account.

In addition the government provided subsidies of N11.5bn to public enterprises over the same period.

While praising privatisation as a "commendable bold step" MAN says that emphasis should be placed on improved financial management, collection of bills and operational efficiency rather than increased charges and tariffs.

Approval

Reviewing the 1986 budget, Mr Fafowara expressed approval at a "theoretical" level while stressing the need for its proper "implementation." Previous budgets have often been full of good intentions which were subsequently never fulfilled.

Mr Fafowara complained, however, about certain harmful, short-term inflationary effects as well as policy contradictions in the budget.

The 50 per cent reduction in the petroleum subsidy will result in higher transport costs though the revenue saved is intended to finance the construction of 60,000 kms of rural feeder roads and quicker supply of food to urban markets. There is regret that the diesel subsidy was not kept because of its importance for industry.

Similarly the 30 per cent import levy combined with the 5-15 per cent Recovery Fund levy, cut in subsidies to public enterprises and depreciation of the naira are also seen as inflationary.

The import levy is seen as a particularly heavy burden for small manufacturers with limited financial resources and should be regarded as a short-term measure. It is also regretted that the import levy makes no distinction between imports of consumer and capital goods.

MAN has this year been brought in by the government to advise on the allocation of import licenses in a move intended to curb the "malpractices and distortions" of the past.

Another welcome move has been the increased foreign exchange allocation for private sector imports. It has been raised to N5.1bn in 1986 from a combined public and private sector quota of N4.5bn in 1985 and represents 53 per cent of the country's projected N9.6bn foreign exchange earnings this year.

There is some concern, however, that there is no breakdown between agricultural and industrial inputs which may make the 55 per cent utilisation of industrial capacity target difficult to achieve.

MAN is also concerned that licenses not valid for foreign exchange have been issued "indiscriminately to virtually all comers and for all manner of imports."

"Spawned by and further sustaining the black market in foreign exchange, this new development is bound further to worsen the destabilisation of the exchange rate (value) of the naira," according to MAN.

It urges that such licences be issued only for priority imports like "medicaments, pesticides, raw materials, spare parts and agricultural equipment."

Mr Fafowara says that certain budget projections, notably those concerning oil revenue and the increase in non-oil export earnings, were "unrealistic."

Oil prices have already fallen below the "conservative" budget estimate of $20 a barrel while high production costs have been further inflated by the budget and a continued shortage of raw materials will make it difficult to generate sufficient output for export.

While entirely approving the package of export incentives manufacturers are concerned about how it will be implemented. The "creaky wheels" of government bureaucracy should not be allowed to frustrate the "noble intentions" of the export programme. Export procedures must be "streamlined and simplified" and the "maze of cumbrous documentation" eliminated.

Viewpoint

Although the naira has depreciated by over 30 per cent in the past two years it still needs to devalue a "lot more" before Nigerian exports will be competitive, according to Mr Fafowara. But he said that a "crawling" rather than a "sudden and massive" devaluation was more acceptable.

Manufacturing accounts for only about 8 per cent of GDP and less than 1 per cent of exports though its share in employment is 14 per cent. Industrial activity is concentrated in the production of relatively simple import substitutes, mainly consumer goods. Foreign investment was estimated at $6.75 billion in 1980, mostly in the mining and manufacturing sectors.

Government policies have in the past praovided heavy protection and encouraged the development of high cost industries with little linkage to domestic resources. The collapse of the world oil market and consequent shortage of foreign exchange prompted the Government to urge industry to reduce its 70 per cent dependence on imported raw materials.

MAN points out, however, that the switch to local sourcing is a long-term process and in the meantime industry must be given the means—the import licences—to survive.

Prospects for industry

Cartons being printed in the packing department of the Paterson Zochonis detergent factory at Ikorodu

Women technicians making microbiological examinations in a laboratory in Plateau State

Unemployment worsens

Labour

MICHAEL HOLMAN

ONE OF the most serious consequences of the economic and social crisis in Nigeria today according to the Nigeria Labour Congress, is the "high rate of unemployment which now includes graduates, school-leavers and professional managers."

It is a view shared by businessmen and government alike. Accurate figures are hard to come by, but the NLC, the country's central trade union organisation based in Lagos, estimates that at least 1m workers have been laid off since the recession took hold early in the 1980s.

NLC officials arrive at the figure on the basis of the fall in their paid-up membership from a peak of 4m to the current 3m. To that figure should be added, say the officials, the many scores of thousands of non-unionised workers who have also lost jobs.

According to Employment Ministry figures cited by the NLC, the officially registered unemployed in 1983 totalled 500,000. "If we consider that only a small percentage of the unemployed go to the labour exchange we can safely argue that unemployment in 1983 was over 5m, and this does not include the millions of underemployed in the rural and urban areas," says the NLC.

These startling figures are borne out by other reports. The Manpower Board estimates that between October 1982 and October 1983, private firms laid off nearly 30 per cent of their total staff, mainly in construction, manufacturing, processing and commerce.

The construction sector alone accounted for 37 per cent of the number of workers who lost their jobs in that single year.

School-leavers and graduates have been especially hard hit. About 80 per cent of the unemployed in rural and urban areas, says the NMB report, were under 25, while youngsters seeking employment for the first time made up over 30 per cent of urban and rural unemployed.

Qualifications did not guarantee anyone a job. In urban areas, the report noted, unemployed people with post primary education comprised 69 per cent of the total in 1983, against 24 per cent in 1974.

While the analysis is distorted by the fact that an unemployed university graduate is far more likely to register as a job-seeker than an unskilled or semi-skilled labourer, the figures reveal the high level of graduate unemployment in a country where the post-secondary school system enjoyed a boom in the first two decades of independence.

No relief is in sight. From around the country comes reports of manufacturers and industrialists, who are on average operating at 25 to 30 per cent of capacity, laying-off labour and putting their existing workers on three- or four-day weeks, ekeing out supplies of the essential raw materials which are now becoming scarce.

At the same time an effective wage freeze since 1981 has been worsened by inflation (between 1978 and 1984 the consumer price index rose about 180 per cent), making the official minimum wage of N125 (plus a N25 housing and transport allowance) worth a fraction of its former value.

The climate of austerity is also being felt in the civil service (where recruitment has been cut to a minimum) and in the ranks of the military. The civil service, police, judiciary, university teachers and workers in state-owned companies had their salaries cut by between 2.5 and 20 per cent with effect from November 1 1985. In the armed forces there were similar cuts.

Union officials acknowledge that in these circumstances their bargaining power is limited: for every worker who might put his job at risk by striking there are dozens ready to take his or her place. The union movement itself, while benefiting from the reforms of the late 1970s which reduced the number of unions from 1,000 or more to about 70, remains weakened by intra-union disputes.

The NLC and its affiliates have little influence on the wildcat strikes and work-to-rule disputes that mark industrial relations in Nigeria, the employers claim.

Nonetheless, union officials who acknowledge their own limited influence, talk of a growing mood of frustration and militancy.

Car workers cleaning the now empty Land Rover assembly line at the Leyland works in Abadan

Setback over local content

Components

PETER BLACKBURN

"REVAMPING" has become a key word in official jargon as the Government increases pressure on the automotive industry to maximise the use of locally manufactured components.

The initial deadline for phasing out components imports was the end of this year. Not only will this not be met but officials are concerned that the local content in passenger and commercial vehicles assembled in Nigeria is actually decreasing.

There is also general scepticism in the industry that the new ten-year deletion programme target can be met.

Motor Industry managers consider it "meaningless" to fix deletion targets until local manufacturers are able to provide regular supplies of suitable quality components.

But the industry recognises that imported KD kits are probably the most expensive way of making motor vehicles—because of the high packing, transport and handling costs. A car consists of some 4,500 items and then packing and unpacking is lengthy process.

At the same time the foreign exchange element represents only about 30 per cent of the final cost of vehicles assembled in Nigeria. The remainder is made up of customs and excise duties, the import levy and a heavy mark-up by retailers profiting from strong demand and scarce supplies.

For instance, Peugeot 404 pick-up trucks fetch N15,000 on the open market or 66 per cent more than the controlled factory gate price.

Motor assemblers consider that much of the criticism by the Press and Government of their failure to increase local content is unjustified.

"We are willing to buy locally provided that quality, quantity and consistency can be guaranteed," says the Volkswagen managing director, Mr Klaus von Bothmer.

A big problem is that component manufacturers prefer to sell to outsiders who are able to pay much higher prices than the assembly companies. There are acute shortages of most components. Tyres and batteries, for example, sell on the open market for quadruple their official prices.

Local production of components is at least 25 per cent more costly than imports, and assemblers urge that this should be reflected in the vehicles' official selling prices.

There are now about 40 local automotive component manufacturers. Most of the largest British joint venture producers are based in Ibadan. They include Triplex (windscreens), Turner Engineering (brake linings and gaskets) and West African Batteries. Dunlop Nigeria, based in Lagos, recently resumed production after a strike lasting several weeks.

New British investments include a sparking plug project in Lagos and a shock absorber factory in Ondo State. There are also many other investment opportunities, including the local manufacture of gearboxes and engine parts, chassis and steering components, officials say.

To encourage closer co-ordination between assemblers, component manufacturers and the Government, the motor industry has set up a committee on "Standards and Rationalisation."

Various production bottlenecks need to be cleared, according to the 14-member motor vehicle and miscellaneous assemblies group. It points to a shortage of suitable quality local raw materials such as steel.

Commercial vehicle retail sales

(January-September 1985)

Model range	Manufacturer	2-5 tons	5-10 tons	Above 10 tons	Artic	Total	Market penetration %
Leyland	Leyland Nigeria	1,623	123	44	204	1,994	28
Mercedes	Anammco	—	1,678	94	461	2,233	32
Fiat	NIM	281	64	19	514	878	12
Bedford	FMI	592	552	109	—	1,253	18
Steyr	Steyr	117	268	128	194	707	10
TOTAL		2,613	2,685	394	1,373	7,065	100

Source: NAMA.

Rationalisation plans being studied

"IT WAS a rough passage through the Bay of Biscay," said Mr Ed Lane, Scoassembly's managing director, surveying the pile of wrecked packing cases across the courtyard from his office in Lagos.

The cases contained completely knocked down (CKD) kits of Peugeot 404 pick-up trucks imported under Scoa's barter trade deal with Nigeria.

But it also seemed as if the cases had had a rough ride through Lagos port, for various key parts were missing. Peugeot parts are scarce in Nigeria and fetch a big premium on the open market. It will be a long and laborious process replacing them.

Arrival of the CKD kits enabled Scoa to resume assembly operations in mid-January after a three-month stoppage. But sales are being held up while the Government considers Scoa's request for a price increase to take account of the extra costs resulting from 30 per cent import levy imposed by the budget.

Peugeot's passenger car assembly plant in Kaduna, which imports CKD kits under the same barter deal, stopped production at the end of January pending approval of a price increase.

The competitor, Volkswagen, which assembles Beetles and Passats in Lagos from kits imported from Brazil under a $500m barter agreement as well as German kits for Santana cars, stopped "normal operations" on January 27, Mr Klaus von Bothmer the managing director, confirmed.

But no VW workers are being laid off and it is hoped to resume production within six weeks of receiving licences.

Despite the production problems and an uncertain future, Volkswagen plans to invest N62m over the next five years, says Mr Von Bothmer. The investment would be entirely financed through cash flow and be spent on a new assembly hall, press and paint shops. Volkswagen has already invested N110m and kept all its earnings within the country, he adds.

The Peugeot assemblers have been more fortunate than most of their competitors in the Nigerian motor industry, which is plagued by a lack of import licences and surplus capacity.

The sharp cutback in government spending has reduced the demand for heavy vehicles to work on construction projects. Similarly, the fall in imports has reduced the need for vehicles to transport goods into the interior.

The only other of Nigeria's eight motor vehicle assembly companies still in production is Scoassembly's neighbour on Apapa's Creek Road, Federated Motor Industries (FMI).

Motor industry

PETER BLACKBURN

A division of the United Africa Company, FMI began assembling Bedford trucks in 1959 and prides itself on never having had to shut down. The nearest it came to doing so was in 1984, when it brought forward the workers' annual leave by several months.

FMI has lower overheads than the other newer assembly companies. It also has greater production flexibility through its important body-building section.

It is currently operating at just over 25 per cent capacity of its double shift capacity of 15,000 vehicles a year and can continue for another two months with its present licence allocation.

Not so fortunate is Leyland Nigeria, whose Range Rover and other assembly lines in Ibadan ground to a halt at the end of January. The sweepers are now the most active workers there.

The factory is likely to remain closed until June when fresh kits arrive under import licences expected to be issued at the end of February.

Despite a smaller licence allocation—equivalent to only 11 per cent of design capacity—Leyland increased its output by nearly 40 per cent last year to 2,632 units. It also recorded a small trading profit compared with big losses the two previous years.

Overheads have been substantially reduced (the workforce is down to 150 from 1,700 in 1984) and throughput increased. Sales of the three-tonne Mitsubishi Canter, which Leyland assembles among its six product range, did especially well last year.

Efforts to make fuller use of current capacity of 9,000 units a year continue to be frustrated by an unfavourable allocation of import licences. Leyland's allocation in 1985 was only one-third that of its main competitor, Mercedes Benz.

Leyland has accumulated losses of N44m since it began production in 1979, and the managing director, Mr Richard Morley, warned: "There is little time left before a permanent closure."

If that happens Leyland's showpiece factory at Ibadan could become a museum exhibit or a monument warning potential new investors of possible pitfalls.

Anambra Motor Manufacturing, which assembles Mercedes trucks in Enugu, stopped production last November, but it still captured 30 per cent of the heavy commercial vehicle market and shared the leading position with Leyland.

National Truck Manufacturing, which assembles Fiat trucks in Kano, and Steyr, based in Bauchi, have both been shut several months. According to industry reports Steyr may start assembling military vehicles while National Truck could switch to assembling Japanese light commercial vehicles.

The Industry Ministry has been considering measures to rationalise the motor industry. It is believed to be studying ways of standardising production by reducing the number of models and range of spare parts, instead of closing plants.

Meanwhile, plans approved in 1982 by the former civilian government to create five new Japanese light commercial vehicle assembly plants have been gathering dust.

A recycling success story

Imports substitution

PETER BLACKBURN

A REMOTE mountain-ringed plain some 30 km north of Jos in Plateau State is the scene of one of Nigeria's largest and most highly integrated agro-industrial projects.

Promoted by Brewery Agro and Research Company, a wholly-owned subsidiary of Jos International Breweries, the N80m project aims to reduce dependence on imported raw materials and to recycle waste products from the brewery.

It involves the cultivation of sorghum and maize for brewing adjuncts to reduce dependence on imported barley malt. The project includes the development of 4,300 hectares for poultry, pig and cattle as well as rain-fed and irrigated crop farming.

"We were the first to move in this direction—before the Government introduced its imported raw materials deletion programme," Mr Sule De-Izan, BARC general manager says.

JIB, backed by its Danish technical partner Cerekem, conceived the project five years ago. Pilot farming on a 250 hectares area began in 1984.

On a drive round the 16 km by 12 km farm Mr De-Izan pointed out that three years ago the plain was covered with scrub interspersed with small-holder farms. Since then N20m has been invested in infrastructure, buildings, machinery and equipment. Nearly 60 km of laterite roads have been built, 21 deep boreholes sunk and a 1700 kw power plant installed.

Most of 1982 and 1983 were taken up with the complicated process of land purchase and boundary demarcation. "Although there were fewer than 100 households, there turned out to be 2,000 farmers on subdivided plots," Mr De-Izan said.

CASE STUDY: Jos International Breweries

Eventually N1.8m was paid in compensation and many of the farmers re-employed on the project. Local people make up 75 per cent of the construction and farming workforce of 800. Last year 1,440 ha were cultivated producing crops worth at least N1.5m. The remaining 800 hectares of arable land will be planted in 1986.

As it was the height of the hot, dry-season the fields were brown and empty except for a patch of green in the 10 ha sprinkler-irrigated plot where potatoes, onions and tomatoes are grown. A second dam is being considered which could irrigate a further 250 ha. Horticulture is considered to be the biggest single potential source of revenue from the project, according to project consultant Mr Jorgen Dinesen.

Poultry farming is the newest development on the project, with the first four batches of parent stock delivered during the last quarter of 1985. The nine state of the art parent stock-rearing and laying units are well spaced to minimise risk of spreading disease. Some 2m broilers and 6m day-old chicks will be sold annually, the latter to local and export markets.

The bulk ingredients for chicken feed will either be grown on the project or derived from brewery or milling waste products. Waste, offal and feathers from the chicken processing plant will be converted into protein concentrate and added to the feed.

The basic feed for cattle is also waste brewers grains and JIB's current production limits the number of cattle to 1,800. The cattle are reared on the feed-lot system whereby they are kept penned and given as much feed and drink as they want. Some 60 live cattle are sold monthly.

Only local breeds are reared. Experiments including artificial insemination have been successfully conducted to combine the disease resistance of local breeds with the faster fattening characteristics of pure bred foreign cattle.

Two pig-breeding units with a total stock of 688 pigs are operating. Commercial production has just started and is scheduled to rise to 3,600 fat pigs per year. Tests to supplement part of the pig ration with waste brewers' yeast have proved promising and may substantially reduce production costs. Waste straw from the cereal crops will be used for bedding.

A 25,000 tonne a year feed-mill will start production by November. It will produce brewers' grits from sorghum and maize, flour for food or animal feed, and maize and sorghum offals for feed. It will include a 7,000 tonne grain store, a grain-drying unit, sorghum and maize milling lines as well as the feed mill. Capacity will exceed BARC's needs and the facilities will be available to outside organisations.

BARC plans to develop and diversify activities. Cultivation of high-value spices, tropical fruits and cut flowers for export are being studied. Fresh sites are being prospected, as the arable land area needs to be quadrupled to grow enough maize and sorghum to meet JIB's brewing requirements.

Part of the control section at JIB's plant: waste brewery grains are later used as bulk ingredients of cattle and poultry foods

Measures await enactment

Export incentives

CHRISTIAN TYLER

IN THE hope of reducing a dangerous dependence on oil exports, the Nigerian Government has announced a programme of export incentives for industry. The ambitious goal, according to the State Export Promotion Council, is to raise the value of non-oil exports to around N1.5bn this year, which would mean raising the ratio of non-oil exports from 3 per cent to some 15 per cent of the whole.

The incentives, to be funded from an import surcharge of 30 per cent, are supposed to be worth N990m this year. The list of measures is impressive enough, but the legislation to enact them has still to be promulgated.

The main elements of the proposed programme, according to government announcements and civil servants involved, are as follows:

Exporters will be able to retain a quarter of their foreign exchange earnings. The money, to be kept in foreign currency accounts in Nigerian banks, could be used to import raw materials or to travel abroad on sales missions (overcoming the present restrictions on foreign travel allowances).

Some companies hope that they will be able to exchange their retained earnings for naira at favourable rates on the new second-tier market.

Import duty will be rebated on purchases of raw materials needed for export manufacture or processing. Those purchases will also be exempt from import levies.

Exporters will get preferential treatment when applying for import licences for raw materials.

Export licence procedures will be "liberalised and

Exporting firms will have "pioneer status," with tax holidays of three years or more for some firms—especially those that export more than half their turnover.

Capital depreciation allowances may be increased for exporters' plant and machinery, probably from 10 per cent to 15 per cent.

There will be an export subsidy, with a total value of N5m initially, to encourage firms to buy their materials locally, since local inputs are often more costly than imports. Export performance grants may be made, with cash payments for each increase in export volume.

An export price adjustment scheme will compensate firms for other high local costs such as transport.

Banks financing exports will have tax relief on their interest income.

Discounting of trade bills for exporters of "scheduled commodities" will be extended to other products.

Prohibition of export of some food and agricultural commodities, as outlined in the Finance Act No 2 of 1981, is lifted—except for goods whose importation is banned.

Export credit guarantees and insurance, announced at the end of 1979 but never implemented, are to be set up within the Central Bank this year at an estimated cost of N100m.

The Government is to encourage the development of "free export zones" and will help businesses seeking new export markets.

NWPC keeps depression at bay

Textiles

PETER BLACKBURN

THE ANONYMOUS white-washed walls of the Nigerian Weaving and Processing Company's (NWPC) factory on Lago's Ilupeju industrial estate give no hint of the specialised modern machinery within.

As managing director Mr Abdul Sattar Debs proudly leads the way one is struck by the empty space and lack of people within.

"Four years ago we invested N8m in new machinery. It was expensive but quickly paid off," explains Mr Debs. The new, mainly Swiss, machinery took up far less space and required much less labour reducing costs and raising productivity.

Mr Debs, who studied textiles in Bolton, adds: "If import licences are granted we plan to invest a further N1.5m." Spinning capacity would be raised by 50 per cent and weaving by 33 per cent with the addition of 10 looms.

Productivity up

NWPC has a weaving capacity of 3.6m metres a year and a processing capacity of 1.4m metres a year. The factory is presently running at 60 per cent capacity compared with a national average of about 35 per cent.

"We do better than most as we also process grey cloth. This is less profitable but it helps to maintain turnover," explains Mr Debs.

Against a generally depressed national industrial background NWPC provides an example of a small but profitable integrated textiles mill where profits have been reinvested to modernise and raise productivity.

NWPC is 60 per cent owned by the Lebanese Debs family who arrived in Nigeria more than 50 years ago. The factory produces material for shirts, safari suits, uniforms, foam cover and speciality prints for religious and other ceremonies. Customers bring their own designs and the minimum order is 10,000 metres.

Despite raw materials and supply constraints Nigeria offers a huge potential domestic market, according to a recent study by the United Nations Industrial Development Organisation (UNIDO). Current per capita consumption is estimated at 1.5 kgs per year of which over half is imported.

Egypt, with a per capita income less than half that of Nigeria, consumes three times as much textiles.

Investment needs are relatively modest and are mainly required to increase the supply of cotton, machinery and spare parts (see separate article).

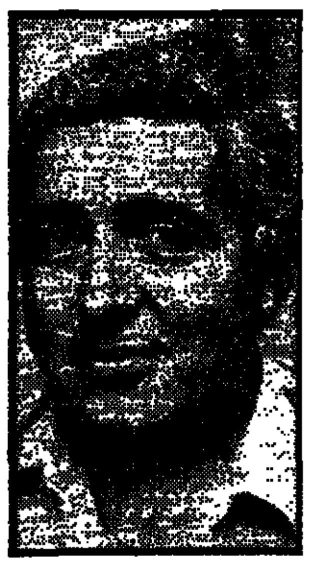
Like other companies NWPC has had to invest in its own power supply. "Normally it is cooler in the spinning mill but we are running on our standby generators and have to switch the air conditioning off," explains Mr Debs. NMPC has three generators totalling 12,300 kv installed in 1982 for a cost of N0.5m.

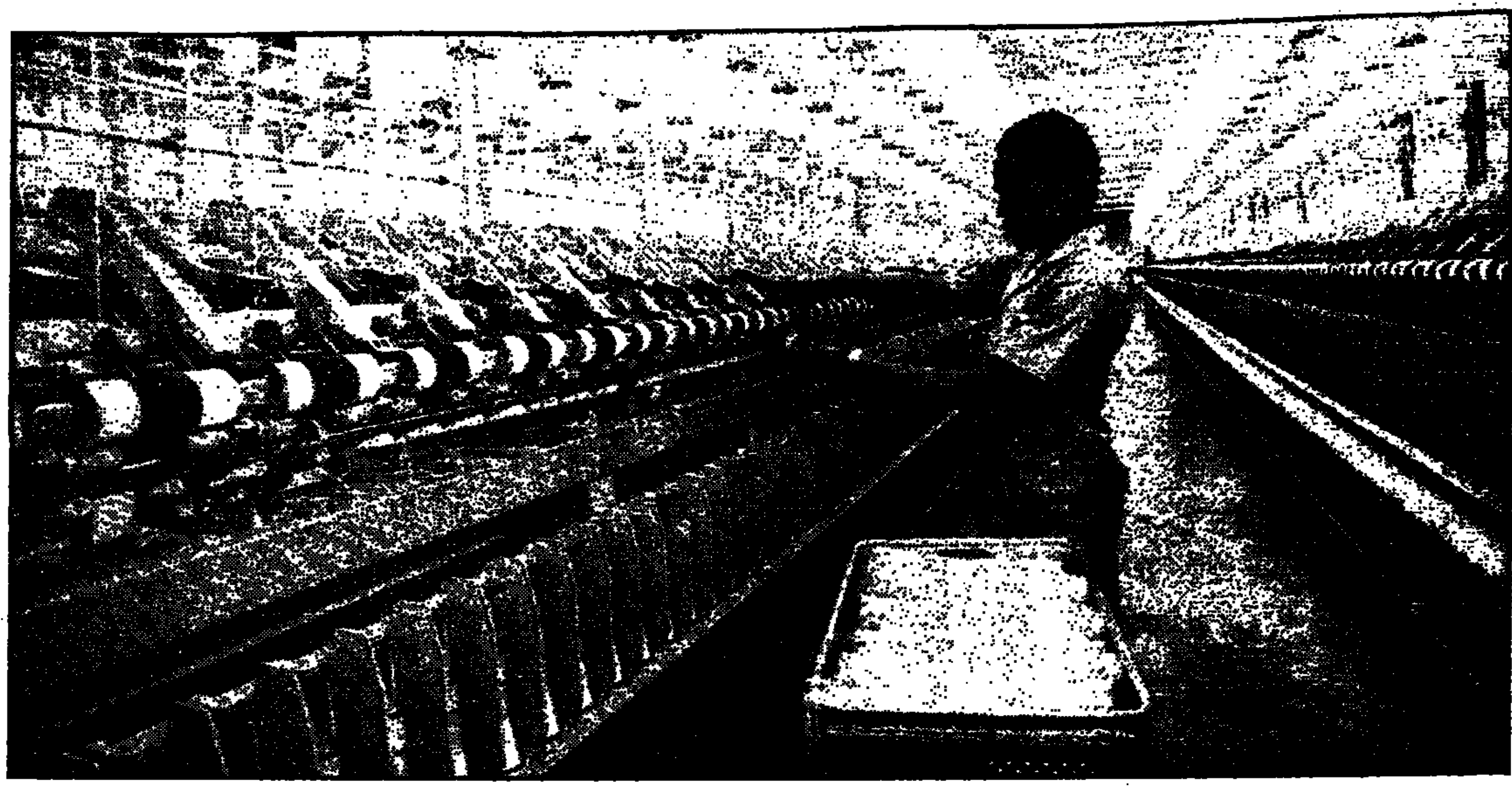
"Here in Ilupeju we are relatively lucky using standby power only 20 per cent of the time in the past year," he adds.

Last year sales rose by 40 per cent mainly due to a sharp increase in prices which far outstripped higher raw material, labour and other costs. Prices dipped towards the end of last year due to an upsurge in smuggling but are now rising again.

Nigerians have a natural inclination towards exotic, luxury fabrics and an estimated 200m metres used to be smuggled in before the borders were closed in early 1984. A substantial amount continues to be smuggled in, according to industrialists.

Last year also saw an exceptionally steep rise in net profits which amounted to about 12 per cent of turnover of approximately N9.5m. Apart from increased prices improved profitability was achieved by higher productivity and lower costs.





Mr Abed Debs (above), managing director of the Nigeria Weaving and Processing Company: hard pressed to keep up with the demand for fabrics. Right: an operative attends to one of the company's frame spinning machines

The workforce has been practically halved and there are now only two expatriates compared with nine a few years ago. "All our departments, except for spinning, are now headed by Nigerians," Mr Debs points out.

"We just can't produce enough to meet local demand," he adds. Difficulty in obtaining import licences means that NWPC is unable to obtain sufficient raw materials supplies. All the fibres and filaments and 80 per cent of its dyestuffs and chemicals are imported.

Confidence

Prospects for 1986 are uncertain with the first import licences due to be allocated soon. There is also concern that demand may drop later in the year due to a decline in consumer purchasing power as a result of salary cuts and the inflationary effects of the budget.

But despite all the doubts and difficulties of manufacturing in Nigeria, Mr Debs continued to radiate confidence as he sipped a small cup of strong Turkish coffee sitting behind his office desk. His next meeting was to discuss possible new machinery investments.

Production starts to improve

Cotton

PETER BLACKBURN

FIFTEEN YEARS ago there were pyramids of cotton bales piled up beside the cotton ginnery at Funtua in Kaduna State and Nigeria used to export several hundred thousand bales a year.

Now the pyramids have practically disappeared and last year about 300,000 bales were imported for the local textiles industry. Decline set in when cotton producer prices started to lag behind those for food crops, according to an agricultural economist. Periodic drought inflated food prices while a corrupt and inefficient marketing system administered by the Nigerian Cotton Board further discouraged farmers.

Drier weather conditions also necessitated the development of more drought resistant cotton varieties at a time when seed quality was deteriorating due to the lack of proper selection after each crop.

However it seems that the long period of decline may soon be reversed as the shortage of foreign exchange prompts the government to insist that the textiles industry seek local sourcing of raw materials.

The Funtua based Nigerian Cotton Board has plans to increase production by 100,000 bales (18,000 tons) a year so as to achieve national self-sufficiency by 1990. This would bring a foreign exchange saving of N148m based on 1986 import projections by the Nigerian Textile Manufacturers Association.

In order to achieve this target the association's 67 member as well as 15 non-member companies are being asked to contribute towards the cost of a cotton rehabilitation programme. The larger textile companies are expected to contribute N50,000 annually.

The funds will be used to finance the research programme of the Institute for Agricultural Research, the provision of new high breed seedlings and the restructuring of the cotton marketing system.

Alternatively textile companies can embark on their own cotton growing schemes but industrialists say that the area of land required is so great as to make such undertakings unfeasible.

"Roughly one bale of cotton can be obtained per hectare per crop. At this rate we could only meet 1 per cent of our cotton requirements. It is better to encourage local smallholders than invest in large scale schemes," comments one textile manager.

Any reluctance firms may have about contributing to the rehabilitation programme is likely to be overcome by their need for import licences, the granting of which have been made conditional.

However, the Cotton Board's past record has been poor and there is scepticism in the industry whether its targets will be achieved. But as one manager remarks "If only half the objective is reached, it is still good news."

When this correspondent called at the Cotton Board's headquarters, neither the general manager nor his deputy were "on seat." A questionnaire about the board's activities and plans remains unanswered.

One of the main problems in the past has been that the board's licensed buying agents have either not paid farmers the official price or else paid many months late.

As a result farmers have switched to food crops, especially maize, which they are able first to consume and later sell the surplus directly for much more attractive prices.

It is understood that the Cotton Board is now authorising some direct cotton purchasing by outsiders so as to encourage competition and speed up payments.

Better rainfall and an increase in producer prices led to a crop of nearly 18,000 tonnes in 1985, about 25 per cent up on the previous year. A further increase is forecast this year especially as maize prices have fallen making cotton more attractive.

However, an estimated 55,000 tonnes still had to be imported, some of it under a counter trade agreement with Brazil, to meet the needs of the local textile industry operating at only 40 per cent capacity.

The increase in fuel prices has created a fresh problem. A substantial part of the crop remains to be brought into the ginneries as the buying agents press for their margin to be maintained.

In addition to purchasing all cotton fibres locally, textile manufacturers are also expected to phase out imports of spun yarn and filament yarn by 1990. Imports of spun yarn are forecast at N71m and filament yarn N94m in 1986.

In order to achieve this objective a capital investment of N567m will be needed over the next five years. The investment programme assumes that fabric manufacture will be frozen at its present level of 885m metres per year.

The Textile Manufacturers' Association stresses that spun and filament yarn imports can only be phased out if the government makes sufficient foreign exchange available to execute the investment programme.

It adds that other raw materials such as colours and chemicals, spares and polyester chips will continue to be imported. Indeed chip imports are forecast to increase fivefold to N78m in 1990.

New boost for rural projects

"WE HAVE trimmed down and put on our survival suits," says the managing director of one of the country's leading construction companies.

The Federal Government has indicated that there are no funds available to start new projects and despite some spending by state governments—notably Lagos—and the private sector, 1986 is likely to be another extremely difficult year for the construction industry.

"The budget emphasises the completion of existing projects. Few new jobs will be created and more firms may have to close," says the president of the Federation of Building and Civil Engineering Contractors, Mr Emmanuel Olowo Okere.

The reduction of petroleum subsidies and the imposition of a 30 per cent import levy will increase construction costs already affected by the creeping depreciation of the naira, he adds.

Most firms have already sold off a lot of plant and equipment and laid off most of their workers. It will therefore be difficult to introduce further cost saving measures in order to maintain profit margins.

Construction companies continue to carry a heavy naira debt burden of some N1.2bn owed by federal and state governments and parastatals. Several large contractors are reportedly owed nearly N100m each.

The Government has failed to respond positively to a proposal made by contractors early last year to reschedule the naira debt with freely discountable interest bearing promissory notes. It was only prepared to offer notes without interest and discountable once only.

Some contractors have, however, noted improved payments by the Federal Government, notably the Ministry of Works and Housing. But there has only been a trickle from the state governments.

"Some are trying to reschedule the rescheduling. At the present rate it will take them over 30 years to repay," complains Mr Olowo Okere.

Some companies have long ceased working in Nigeria and only maintain offices in Lagos in order to try and recover their debts.

A few companies chose to continue working after they encountered payments problems. Julius Berger kept going on the Ajaokuta Steel and the Abuja Federal Capital projects

Building and civil works

PETER BLACKBURN

and Bouyges on the Igbin power station near Lagos.

"It doesn't help abandoning contracts," says Julius Berger Nigeria's contracts manager Mr Carl-Heinz Stoecker. Berger, the country's leading construction company, is currently working on eight contracts worth N850m.

"We expect to maintain turnover this year though profits will be squeezed," says Mr Stoecker. Berger is one of the rare construction firms still reporting profits.

Some hope for the debt laden firms was provided in the budget where President Babangida spoke of the need to reduce the naira debt and repayment through the bond market. However, there is perplexity in the industry as to what this might mean.

Emphasis

In addition to completing projects, President Babangida says that the accent will be on "repairs, maintenance and rehabilitation," rather than the mere "replacement" of fixed assets.

He complains of the "high costs, incompletion and poor maintenance" of government and infrastructure contracts and urged that completed projects be made to work efficiently.

He adds that projects which increase national self-sufficiency and diversify the economy, such as the petrochemicals, liquefied natural gas and agricultural schemes, will be pursued with "renewed emphasis."

The 1986 capital budget allocation is practically unchanged at N5.9bn and includes almost 20 per cent for debt repayment. In addition, the petroleum subsidy reduction is expected to free N900m to finance a 60,000 km rural roads programme, food and rural infrastructure projects.

An Economic Rehabilitation Recovery Fund will provide N500m to finance educational, health and informal sector projects. This includes N150m for the repair, maintenance and rehabilitation of university buildings.

Another N100m is reserved for hospital rehabilitation and N100m for the completion of three university teaching hospitals as well as the national eye clinic in Kaduna.

Rural development is given priority in the 1986 budget with an investment allocation of N491m—a specatcular increase on last year's N65m.

A large increase is also planned in the petroleum and energy sector where investment is due to triple to N400m. A similar increase is also planned in education with spending rising to N442m while manufacturing is up 20 per cent to N248m.

Transport, especially roads, continues to be an important sector with an allocation of N418m. And despite financial constraints the Military Government has maintained its commitment to the Abuja Federal Capital and Ajaokuta Steel projects with unchanged allocations of N200m and N358m respectively.

The continuation of these and other major projects criticised as "uneconomic" and "unproductive" suggests that the much discussed Onosode report has had little impact.

The report, prepared by the budget adviser to ex-president Shehu Shagari, examined over 600 projects requiring more than N30m for completion.

On the other hand, the Government has followed the report's recommendation not to start any new projects and to complete unfinished ones. There is also general confidence that the budget will be more strictly implemented though this may be jeopardised by factors beyond the government's control such as a collapse in oil revenue.

In contrast to the general gloom and uncertainty Taylor Woodrow Nigeria believes that the construction crisis may have "bottomed out." Managing director Derek Shepherd reports that his company has resumed work on several Federal Government contracts such as the Sokoto teaching hospital and the East Kano irrigation scheme after payment arrears were reduced.

Taylor Woodrow recently signed a N5m road repair and maintenance contract in Abeokuta and expects to pick up several more similar contracts in Lagos State and under the national road maintenance programme. "Although naira contracts, they help to maintain turnover," says Mr Shepherd.

There is also plenty of private property development and factory construction.

Costain West Africa has resumed work on the N126m Oshogbo-Ede water supply scheme in Oyo State after losing 18 months due to difficulties in obtaining import licences and foreign exchange.

The project, involving 800 kms of pipework, treatment stations and reservoirs, should now be finished by the end of 1987, according to managing director Derek Smith. He adds that there was still plenty of scope in the water supply sector if external financing can be arranged.

Sharp decline

Three years ago there were ten British civil contractors active in Nigeria, but now there are only two. The sharp decline is not just due to the contraction of the Nigerian market, according to Mr Shepherd.

He believes that British companies do not benefit from the same amount of official support as their French, Japanese, Italian and German competitors.

"UK contractors are not receiving financial backing. British officials are too rigid and inflexible," complains Mr Shepherd.

French and Japanese credit guarantees towards the $500m 4th refinery contract at Port Harcourt are seen as further indication of the collapse of an understanding among western export credit agencies to suspend medium and long-term cover for Nigeria until it reaches an agreement with the IMF on an economic adjustment programme.

The French and Japanese argue that the project financing was agreed in principle back in 1983 before the credit suspension started.

Another example cited by British contractors is the N200 million refinancing of Dumez and Fougerolle's civil works contracts at the Ajaokuta steel complex.

Italian support for Impresit's $131m Jibiya irrigation and $84m Sokoto waterworks schemes also rankled British contractors.

There is also considerable frustration that the £300m ECGD credit line offered in 1981 has not been used. The credit line was originally intended to finance infrastructure work by British companies in Abuja. British contractors want to know if it has been reallocated to other projects and if it can now be drawn down.

When Taylor Woodrow approached the ECGD to guarantee its share of the Hadejia irrigation scheme it found that "the ECGD didn't want to know or even quote rates." However, the French company BEC Freres was able to obtain COFACE support for its portion of the project.

Although the ECGD has the biggest exposure among western credit agencies in Nigeria it is believed that more careful screening of projects and companies during the boom years would have prevented many of the problems faced today.

A British official in Lagos pointed out, however, that British companies rarely competed for the major construction contracts and so the ECGD found itself supporting smaller schemes. He added that the ECGD was still prepared to rearrange and even supplement the financing of ongoing projects.

As for the Abuja credit line, it was only accepted by the Nigerian Government in 1983 and although it has not been withdrawn it is, "in practice," tied to the IMF package.

Nigeria 'too big to stand still'

Review of projects

PETER BLACKBURN

A NEW APPROACH to tackling corruption is being tried by the Military Governor of Niger State, Lt Colonel David Mark.

Taking his cue from President Babangida, who recently held a national debate on the IMF issue, he has asked the people of Niger State—one of the country's poorest—to discuss the future of a controversial N99m water supply contract.

Five years after the contract was awarded to Britain's Biwater Shellabear, only five of 45 scheduled boreholes have been drilled but the scheme has run out of funds.

Another scandal recently hit the headlines when the chairman of Fougerolle Nigeria, Mr Ayo Shasanya told a special tribunal that N22m had been paid to senior members of the now disbanded National Party of Nigeria in connection with the award of a N329m contract at the Ajaokuta steel complex.

The disclosure surprised no-one—though the sum involved may have raised a few eyebrows—as kickbacks were common during the civilian regime. Since the military took over at the end of 1983 they have become far less frequent partly due to increased vigilance but also to a sharp decline in new contract awards.

Relatively few projects have been reviewed or contracts re-negotiated. "But if the military decided to take the lid off then a lot of people on all sides would get scalded," confides one contractor.

Despite military and public investigations, critical review by the Onosode report and severe financial constraints work is progressing on a surprising number of projects.

Big spending

"Nigeria is just too big to stand still even in a prolonged financial crisis. It is still spending a lot of money on projects," says an observer.

The biggest project likely to get under way this year is the fourth refinery at Alesa Eleme near Port Harcourt. The French export credit agency, Coface is shortly expected to approve the financing of Spie Batignolles' civil works contract representing 45 per cent of the US$ 500m contract.

The French company, which received a letter of intent from the Nigerian National Petroleum Corporation in November 1984, has already cleared the site next to an existing 88,000 b/d refinery and begun foundation works.

Process engineering is being supplied by Japan Gasoline Corporation with financing arranged by Marubeni. A financing agreement guaranteed by the Japanese Ministry of Trade and Industry (MITI) was signed in Lagos last November.

The refinery, due to be completed within 34 months of the contract's entry into force, will not only double the country's refining capacity but also provide an exportable surplus.

The Franco-Japanese financing agreement may hasten the collapse of an unofficial freeze by western credit agencies on Nigeria until it reaches an agreement with the IMF and enable other stalled projects to go ahead.

There are signs for instance of a possible breakthrough in the $1.2bn Escravos gas-gathering and Lagos pipeline project. The recent reduction in petroleum subsidies has helped to make gas competitive and rekindled World Bank interest in financing part of the project concerning the western gas-gathering system and construction of a gas compressor station at Warri.

This might prompt the Italian export credit agency, Sace to help finance the construction of a 340 km gas pipeline from Warri to Lagos by Snam Progetti and Saipem.

Some progress is also being made on the country's largest project — a liquefied natural gas plant at Bonny in Rivers State. The project, involving the participation of Shell, Agip and Elf, has been scaled down to two production trains from four and the cost to $5bn from $7bn.

Efforts are presently focused on concluding marketing agreements and construction is not expected to start until 1988.

There are continued doubts about the financing of the $2bn second phase of the petrochemicals programme. Ways are being studied of scaling down the scheme to fit forecast demand and available funds. Possible counter trade financing and spreading construction over a longer period are also being considered.

Meanwhile, talks are under way to choose process technology for the nine units planned in phase two. Five companies have been short-listed for the initial unit — a $400m ethylene unit — and a contract could be awarded later this year.

Phase one involving a $550m extension to the Warri and Kaduna refineries is expected to be completed in early 1987. A contract for the final component, a $15m benzene unit, was awarded to Japan's Chiyoda Chemical Engineering and Contruction Company, last October.

One important development was the N200m refinancing in August 1985 of French companies' Dumez and Fougerolle's contracts at the Ajaokuta Steel complex which enabled them to resume work suspended for two years.

The new agreement provides for a 50 per cent escalation in costs on Fougerolle's blast furnace and sinter plant contracts and Dumez's ancillary buildings and water treatment systems contracts.

The Soviet Union's Tiajpromeksport also concluded a cost escalation agreement for its engineering design, electro-mechanical and steel erection contracts.

Steel complex

Another civil works contractor, Julius Berger, signed a similar agreement some 18 months earlier.

As a result of the delay the $5bn plus integrated steel complex is now expected to be completed several years behind schedule by the end of 1989.

Meanwhile, the recent award of a $144m contract to Japan's Marubeni, US General Electric Company and West Germany's Siemens to supply six 100 MW turbines for the Ughelli Power Station in Bendel State will benefit the Delta Steel Plant at Aladja which has been plagued by power problems since it started production in 1982.

Meanwhile, work continues on the new Federal capital at Abuja, although Government officials accept that the move of ministries from Lagos will continue well into the 1990s.

The first phase development of Abuja, including the completion of the Presidential Complex, National Assembly and Supreme Court and accommodation of 230,000 people, should be completed by 1991.

Improved supplies for Nigeria's prolific newspaper industry will be provided following completion of a 100,000 t/yr newsprint paper mill and pulp factory at Oku-Iboku near Calabar. The UK's Parsons, Whittemore and Lyddon are technical partners with engineering by Foster Wheeler (UK) and civil works by Fougerolle.

However, the Iwopin integrated paper mill remains stalled even though it has been a priority by the Military Government. Frequent Nigerian ministerial and board changes have complicated project and financial management.

Costs are estimated to have tripled since work began ten years ago and at least another USD 100m are needed for completion.

FIRST CITY MERCHANT BANK LIMITED

A Nigerian Banker's Perspective

The international financial community seems confused by Nigeria's refusal to take an IMF loan to assist the country through its present difficulties even though very tough measures have been adopted by the Government to regenerate the economy and it would need very little in the way of additional measures to fully meet the IMF conditions. Could you comment on this?

The world of international bankers and financiers is rather different from that of most other people and not all values can be expressed in dollars and cents. Although Nigeria has a military government it is still a consensus government. There is wide civilian participation in the decision making process, half of the cabinet ministers are civilians and the President regularly seeks the views of people outside government on important issues. In this context, as you know, a national debate was invited on the IMF issue. From this it became clear that there was a strong groundswell of public opinion against seeking IMF support under IMF imposed conditions. This may seem illogical to some but the political message to the government was clear, whatever the reason for their difficulties Nigerians do not want a solution imposed on them from outside. They will resolve their own problems in their own way, with honour. If dispensing with IMF help means they must suffer additional inconvenience or additional hardship they accept that price. Of course this situation means that the international financial community is faced with the unwelcome precedent of being asked to reschedule certain obligations without the benefit of a formal IMF agreement, but I hope they will be flexible enough to respect Nigeria's internal political realities and her serious good intentions.

One foreign bank has recently disinvested from its Nigerian joint venture and others are reportedly planning to do so. Yet I understand there are about twenty applications for new banking licences pending at the Central Bank. What is the reason for these apparently contradictory trends?

These developments need to be placed in perspective. I think it is significant that it is essentially American banks which are leading the peripheral movements both in and out of the Nigerian banking market. American banks tend to be more active than others both in entering and leaving overseas markets, depending on their international strategy at the time. The minority participation in a Nigerian bank recently sold by one US bank because of major problems in its home country was immediately acquired by another US bank. We understand that two other US banks are seeking buyers for their minority shareholdings in Nigerian banks because of new policies towards minority participations overseas. It is significant that one major US bank withdrew from Nigeria in 1971 for internal policy reasons, returned in 1974, withdrew again for similar reasons in 1976 and returned again in 1983. Therefore one should not conclude from recent developments that there is any general trend on the part of foreign banks to withdraw from their profitable Nigerian affiliates.

Regarding the number of applications for banking licences currently pending, this reflects the general recognition that banking is a good business in Nigeria. Currently there are about thirty commercial banks and twelve merchant banks in the country, and between them they have over 1,200 branches.

Whilst I sympathise with the clients of banks even in the major cities who complain of poor service from their banks, I believe the answer lies in not having more banks but in existing banks improving their level of service. Recent additions to the number of commercial and

Chief M. O. Balogun
Chairman & Chief Executive

merchant banks in the country have already provided the spur of greater competition and it is hoped that the standards of service will improve. It is possible that some of the privately sponsored applications for licences may have been made in the belief that banking is an easy way to big profits. Those of us already in banking know that it is an exacting business requiring discipline and professionalism with little margin for serious errors of judgement.

Why would foreign banks be interested in investing in Nigeria at this time?

From a long term viewpoint, the basic attractions of Nigeria for foreign banks remain unchanged despite the recent balance of payment difficulties. The number of foreign banks investing in the country has been increasing in recent years and currently twenty-six foreign banks have minority shareholdings value about $350 million in various Nigerian banks. The reasons for this interest, despite a highly regulated banking environment and despite the ceiling of forty per cent on foreign ownership, are not hard to find.

Nigeria has by far the largest population of any African country; it is rich in agricultural and mineral resources including oil; it has a growing industrial base; it is a major trading nation; even today the value of foreign trade is in the region of $20 billion, down from around $40 billion in 1980; there are large numbers of foreign multinationals (especially European and American) active in the country; and last but not least the margins available in the banking business in Nigeria are high compared with most other countries. In addition to the attractive investment returns, an operating presence in Nigeria enables an international bank to assist the affiliates of its multinational clients by providing them with local currency loans. This means it can extend financial assistance to its important clients in a difficult market whilst avoiding cross border risks. This is an important advantage in today's international financial climate.

Your own organisation, FCMB, seems to have been remarkably successful in building a profitable banking business in a relatively short period of time. What is the secret of its success?

There is no secret if one looks into the history of our bank. Although we only commenced our banking business in August 1983, FCMB inherited most of the clientele and the corporate banking business of City Securities Limited, our associate company which has been actively involved in the Nigerian capital markets since 1977. City Securities Limited brought forty companies to the market in Nigeria between 1977 and 1982 by way of public issues and private placements. These included quite a few household names and also included the largest public issue ever placed in the Nigerian market. Currently City Securities Limited is registrar to twelve public companies and has over 130,000 shareholders on its books. With this base of corporate clients being handled by its associate, the bank had a flying start, turning in a 40% return on average equity in 1984, its first full year of operation and we expect to show a much higher return on equity for 1985.

We are also quite proud of our corporate finance achievements against our much larger competitors. For example, in 1985, we handled the only public issue to appear in the Nigerian market. This was the underwriting and placing of equity on behalf of the Nigerian commercial banking affiliate of a leading US money centre bank. We are starting 1986 with the largest loan syndication (N70 million) ever placed in the Nigerian market. This mandate is for a major joint venture project between the Federal Government and a large and prestigious US corporation which is recognised as one of the leaders in its particular field of technology. It is no accident that our institution has been entrusted with these mandates and I am determined that we shall maintain the product excellence which attracts this quality of clientele.

You are on record as wishing to attract a foreign bank as an equity partner. Is this still the case?

I have always been very open on this issue. Yes, it is still true that we would like to have a good foreign partner but our earlier position on this issue has now been modified. When we first established the bank in August 1983, we actively sought foreign participation. However, there were no takers at that time. The reasons were understandable, we were a new institution, there was growing concern regarding oil prices, the Nigerian balance of payments and possible currency devaluation. Even for those banks who did show interest, business logic dictated that they should make haste slowly and that the investment opportunities in Nigeria would not disappear and might even become more attractive.

In retrospect we are now pleased that we did not marry in haste. We have been able to prove to ourselves that we could succeed without foreign help and we have in fact succeeded well beyond our best expectations. Whilst, still recognising the many advantages which a foreign bank can bring as a shareholder and technical partner, we want to be sure that we attract the right foreign institution. Consequently, our preference at this point in time is to continue as we are for perhaps another year to consolidate our record of performance and then pursue more actively the selection of an appropriate partner.

Eating out can be fun

West African food

PATTI WALDMEIR

"BUSHMEAT is sweet," says my Nigerian driver approvingly as I choose my supper from among the smoked carcasses of grasscutter (squirrel), antelope and wildfowl which leer at me from blackened sockets while I haggle with their owners over price.

No sooner had we pulled off the dusty Ibadan-Lagos expressway than we were thronged by a chattering crowd of eager readside vendors thrusting their wares — gutted bush animals spread-eagled on a frame of sticks and smoked over an open fire — through the open window of the car.

After parting with the sum of N50, a price which my driver, Mr Samuel Sholoye assured me was "reasonable," I settled down in the back of the car with a 5-lb grasscutter and a couple of wild birds for the one-hour trip back to Lagos.

A few hours later, my host's steward served up my companions in a succulent "Egusi" soup, made with the rich red palm oil which is the base of most Nigerian dishes, spinach-like green leaves, ground melon seeds — and rather more fiery red peppers than might have been thought advisable.

Nigerian food, spicy, rich and exotic, provides a culinary experience not to be missed by those who can combine an adventuresome palate with a fairly resilent lower intestine.

By far the best setting for one's first experience of egusi soup and "eba" (a thick porridge of ground cassava) is the home of a Nigerian friend or business colleague, where due restraint can be exercised on the pepper content of the soup.

For the expatriate businessman who is lucky enough to be staying at a company guest house, rather than a hotel, the house steward may well be able to knock together some Nigerian "chop" if pressed, although he may prefer to display his talents at European cookery.

Paradoxically, Lagos restaurants are just about the last place to go for Nigerian food, although there are a couple of exceptions. The "Museum Kitchen" at Lagos' National Museum provides a highly-recommended traditional lunch service at its open-air thatched pavilion which has a handy souvenir shop nearby.

Top of the line is the Nigerian restaurant at the new Sheraton Hotel, near the airport, which serves dishes favoured by each of Nigeria's main tribal groupings, the Yorubas, Ibos, and the Hausa-Fulani—at prices which would buy a fair amount of smoked antelope.

And each of the hotels offers a Nigerian "dish of the day" —such as "jollof rice," a kind of spicy risotto, or egusi soup and the ubiquitous "pounded yam"—which can provide a rather sanitised version of the fiery originals. Unfortunately, they lack atmosphere.

Twenty-five-year-old Mr Taofiki Balogun has made sure that the same cannot be said of his new open-air establishment "Bubbles Bar and Restaurant," almost directly opposite the US Embassy on "Five Cowry Creek" which separates the posh Victoria Island suburb from equally cushy South-West Ikoyi.

"Fiki" eventually plans to lay on live music and boxing, along with a range of Nigerian dishes from his spotless kitchen. Nonetheless, he has already attracted a large, mainly expatriate clientele who enjoy an ice-cold Nigerian lager after a boat trip to the fashionable Tarkwa Bay beach (Fiki also handles the boat hire), or the cool breeze of a February evening

No less lacking in atmosphere is "Julie's Bar," also on the creek, off Ozumba Mbadiwe Road, Victoria Island, where languid Lagos girls share their tables with lonely expatriates.

And those who can obtain an invite to the popular Ikoyi Club or the picturesque Polo Club (described elsewhere in this survey), should not fail to try some "suya"—originating in the North, suya consists of meat kebabs rolled in a delicious mixture of hot red peper, groundnuts and ginger and barecued over an open fire.

But for a real experience of Lagos life, there's nothing to beat the local "bukka"—or "bukka-teria"—the rudimentary eating-houses, sometimes no more than shacks, where everybody from civil servants to mechanics can obtain a hearty and nourishing lunch for around N2.

My trusted driver, Mr Sholoye, after due homage to the cast-iron nature of my stomach, nonetheless has always tried to dissuade me from visiting the local bukka, fearing that I might feel uncomfortably conspicuous.

Our solution — take-away pounded yam and goat meat stew from the bukka, purchased for me by the inconspicuous Mr Sholoye—may not appeal to those who do not find their appetite whetted by an element of risk.

Polo chukkas recall an era

THE THWACK of mallet on ball and the thud of hooves drifts across the green turf of the Lagos Polo Club to the verandah of the club-house where members and guests relax, drinks in hand, on a muggy Sunday afternoon.

Nearby the Nigerian Police Band, resplendent in braid and epaulettes, white jackets and blue trousers, plays a selection of airs between the games. Southern girls eye the aristocratic horsemen from the north, army officers mingle amiably with civilians, and grooms amble between the stables and the field.

This is the start of the annual Lagos Polo Tournament and over the next 10 days teams from Lagos, Kano, Kaduna, Jos, Ibadan, Maiduguri, Sokoto, Zaria and other centres will be competing for a dozen trophies, including what was once named the Kaiser Wilhelm Cup (now the Independence Cup).

It goes back to before the 1914-18 War when teams from Nigeria and the then German Cameroons played for the trophy awarded by Kaiser Wilhelm II.

Polo was first played in Lagos in 1904 but it was in the north that the game really took root. It was organised by British Army players and centred around Katsina, where the late Emir and his sons became so proficient at the game that at one time the family could field a team with a handicap of 22.

A team consists of four players, rate on a scale of one to 10, the higher the better. A five handicap player is regarded as very good indeed.

The Nigerian Polo Association was founded in the early 1920s and the country now has tournaments—mainly in the north—throughout the year, often with an international character provided by guest players from Britain, Argentina, India and elsewhere.

On the field, Jos Dilimi and the Nigerian Army team have caught the spectators' attention. An army shot goes wide: "I hope he shoots better than he plays," jokes an onlooker and his companions—several of them army officers—chuckle appreciatively.

A bell marks the end of the last chukka, and onlookers drift back to the bar or the restaurant where the lunch menu includes coq au vin or pounded yam and egusi soup.

Michael Holman

A towering leader's skill

Ahmadu Bello: Sardauna of Sokoto by John D. Paden (Hodder & Stoughton £4.95 paperback, £19.85 hardback)

WHEN the Sardauna of Sokoto entered party politics in 1951 at the age of 42, the leading politicians of Nigeria's then northern region were convinced that their region, although covering two-thirds of the country's area and containing over half its people, was threatened by political and even economic domination by the two southern regions.

When he was assassinated in 1966 politicians in the southern regions were denouncing political domination by "the north." It was the towering personality and political skill of the Sardauna, first and only premier of the northern region and leader, though not founder, of the Northern Peoples' Congress, which produced this reversal.

He was assassinated by soldiers attempting to seize the Federal Government, of which, preferring to consolidate his political base in his own region, he was never a member, although it was led by his party. Twenty years later this biography—the first—was launched in the former regional capital, Kaduna, in a stadium crowded with people determined to do him reverence.

It is impossible to understand Nigeria without understanding him; and this biography by an American scholar (he himself published an autobiography in his lifetime) seeks to analyse his leadership and his influence.

The Sardauna was an aristocrat: descendant of the founder of the Sokoto Caliphate, grandson of a Sultan (his own title was honorific, bestowed by the present Sultan) and himself a candidate for that office, the most illustrious traditional office in West Africa.

Sir Ahmadu (he was knighted in 1959) was educated at Barewa College, designed by the British to produce leaders, particularly teachers of quality, for the northern region, and for years the only secondary school in "the north."

Southern politicians were to see the school as a citadel of privilege as it produced so many who were to become prominent in federal and regional affairs. But to the Sardauna it was a sign that the educational inferiority, which alone allowed southerners to dominate his region, could and would be overcome.

Behind the Sardauna's life, however, the driving force was his religion — the Sultanate is above all a religious office. Towards the end, Professor Paden suggests, religion became more important to him than politics — though not administration, which he never neglected. That is when he undertook "conversion campaigns."

Internationally, too, the Sardauna played an important role in Islamic affairs, becoming vice-president of the World Islamic League. He wanted Nigeria to enjoy in the Islamic world the respect West Africa had once known. Yet, apart from his disquiet at Nigeria's recognition of Israel, he avoided Arab politics.

He failed, perhaps, to recognise the extent of his own achievement in advancing his region, and the inevitable reaction on the part of politicians in the south to its numerical political domination of the federation. He had strong opponents in his region, but to his southern political adversaries his command of the region and so of the federation, appeared permanent.

Although he never concealed his dislike of Lagos and its mobs, he was on good personal terms with politicians of all persuasions, was always approachable and was concerned with the preservation of parliamentary practices. But while as Professor Paden shows, he was anxious to reform the obvious deficiencies of the traditional "native administration" system, under which, through Emirs and Chiefs, the British and later the regional government conducted local government, his critics inside and outside his region, whatever they thought of him as a man, only saw him, unjustly, as champion of a system of hereditary privilege; lesser men saw his imposing presence and natural authority as evidence of a dictatorial character.

With almost 800 pages the book is immensely long, partly because of its elaborate footnotes, which contain, for example, profiles of many politicians. Nor is it easy reading.

David Williams